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EDITORIAL

As We See It

THE YEAR AHEAD

The new year as it gets under way finds the rate of business activity still very high and the prospects still regarded as exceptionally good. Business indicators have here and there begun to turn down somewhat, or at least have appeared to be leveling off, and the forecasts are becoming somewhat tempered; but little or nothing seems to have occurred to belie the glowing appraisals and prognostications that as usual adorned the Christmas and New Year Seasons.

The rise in the volume of production and trade during the year 1955 was phenomenal where it was not unique. This fact has all along been well recognized, and even the most optimistic, when exuberance was at a peak some weeks ago, almost universally conceded that this rate of advance could not in the nature of things be much longer maintained. Long continuation of such a rate of climb, it was generally believed and with reason, would inevitably result in a situation which carried within itself the seed of its own destruction.

Differences of opinion three weeks ago, and still in large measure today, chiefly concerned the length of life of the "plateau" expected to appear within months at best, quite possibly within weeks, and about what was to happen when further substantial change occurred. Arguments about this aspect of the outlook have been about "inverted saucers" and inverted "V's" in the configuration of the curves of business during the year 1956. A month or so ago the devotees of

Continued on page 34

American Trade Unionism: Voluntarism or Coercion?

By WILLIAM H. PETERSON*
Associate Professor of Economics
Graduate School of Business Administration
New York University

After calling attention to the atttitude of infallibility toward trade unions, Prof. Peterson says the big question for organized labor today is: voluntarism or coercion, and states, if compulsion and freedom are mutually exclusive, trade unionism would benefit by adherence to principle of voluntarism and not coercion. Lists advantages of voluntarism and points out incongruity of compulsory unionism and constitutional rights. Sees unions as legal monopolies and as using "political coercion."

"Questioning the virtues of the organized labor movement is like attacking religion, monogamy, motherhood, or the home." So began the late Professor Henry C. Simons' famous article, "Some reflections on Syndicalism."[1] Simons thus touched a rew nerve of conformism in America—namely, that trade unionism *per se* is above criticism, an ideology prevalent in many American literary and union circles which do not hesitate to criticize "giant business" or "corporate monopolies."

Dr. W. H. Peterson

In this paper it is not my position to uphold all the arguments of Professor Simons, although I do believe that, on balance, they are sound. Professor Simons held that a capitalistic order and a widespread organized labor movement were incompatible.[2] I do not share this point of view. While I am doubtful about the course of the American trade union movement, I believe there is yet hope of a reversion to the business unionism of Samuel Gompers. The great contribution of Henry C. Simons, as I see it, is that he

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*A paper presented by Dr. Peterson before the Industrial Relations Research Association, New York City, Dec. 30, 1955.

Business and Finance Speaks After Turn of the Year

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

HON. GEORGE M. HUMPHREY

Secretary of the Treasury

The future is promising — if we pull together. For three years, we have been re-shaping this Government's economic policies into the policies required for a strong and forward-looking nation, its economy firmly rooted and self-supporting; an economy that will pump a continuous new flow of nourishment into the day-to-day American evolution of self-betterment; and economy that will constantly generate new and better-paying jobs for an ever-growing population.

George Humphrey

At the same time our economy must provide an ever-higher standard of living, plus the social services the people want and need as well as the men and the weapons we must have for our defense.

All hands in our nation — labor unions and employers, the rich and the poor, both major parties, the farmer and the city man, the woman at home and the man at his job—all have a part in making our new productive way of life.

This peaceful evolution has resulted in a tremendous upheaval of this nation's whole economy that has really created a different kind of a nation, a unique nation of "haves" that needs an up-to-date way of thinking

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In the SECOND SECTION of today's ANNUAL REVIEW AND OUTLOOK ISSUE we show monthly high and low prices of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1955.

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(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

Boston Woven Hose & Rubber Co.—J. E. Goffin, Executive Vice-President, Whitehall Securities Corp., New York City. (Page 2)

Hammermill Paper Company—Ernest Stent, Partner in Charge of Research Dept., Hooker & Fay, San Francisco, Calif. (Page 2)

J. E. GOFFIN

Executive Vice-President
Whitehall Securities Corporation
New York City, N. Y.

Boston Woven Hose & Rubber Co.

Anyone with some market experience will call to mind stocks which have, on the one hand, made little headway on the upside and on the other have not experienced violent declines. Barring, of course, unexpected turn of events. Stocks of this kind may be termed "specialties" in the so-called secondary market and their value lies in their ability to take off suddenly on reappraisal of intricate worth or, on the replacement of old and unprofitable operations with new marketable products or perhaps, a change in the management picture.

Jack Goffin

The "specialty" I have chosen is one which is presently "churning about" within a very narrow range. Its name is Boston Woven Hose and Rubber Company, trading on the OTC at around 15.

Boston Woven is the heir to a business, started 75 years ago whose principal products were a line of fire hose. Today its sales stem from a diverse line which includes industrial hose, industrial belting, glass jar rubber rings, friction tape, matting, tubing, rubber stair treads and flooring. Characterized as mechanical rubber goods, these are by-products of the major rubber companies which eliminates them as possible competitors. Boston Woven Hose is the largest in the field and competition is wholly by the smaller and less known companies.

In 1951 Mr. John M. Bierer assumed the presidency of Boston Woven. Mr. Bierer has since recast the sales organization, reemphasized development and research and has built a young aggressive management team. Mr. Bierer's task was not made easy by the return of a buyer's market in 1953-54 nor by the 108% increase in crude rubber prices in 1954-55 but it did come through with a revolutionary process called RotoCure — a method of continuous vulcanization by rotary presses. RotoCure machines are licensed here and abroad to competitors upon payment of a $25,000.00 royalty fee per machine. It came through too, with a textured floor covering in color combinations not available before in rubber flooring.

The recent history of Boston Woven has had its disappointments. After peak sales of $23.3 millions and earnings of $3.41 per share in the 1951 Korean War Boom, profits deteriorated progressively and a deficit of $432,000 was recorded in fiscal 1954. Management had decided to coast along retrenching on research and product development. Gross income had risen to $18 million in 1948 and despite the recession of 1949, the company was still showing profits of $511,000 or $1.37 per share, more than in most prewar years. But the policy of retrenchment was having its longer term toll.

The reorganization is now complete and its value is reflected in better profits. What might have been a deficit in 1954 was turned into a profit of $287,000 or 71c per share. In the first quarter of the current year Boston Woven shows earnings of 41c per share or 58% of the full 1955 earnings. Earnings of $2.00 per share are very possible this year ending Aug. 31, 1956 and more important improvements in subsequent years can be anticipated. Bookings have been running ahead of sales for several months, and the backlog of orders has been steadily increasing. The new floor covering line alone could develop into an important factor in the earnings picture. It has already met with enthusiastic consumer demand which is expected to increase per share earnings by about 80c.

Financially, Boston Woven is comfortably liquid. Current Assets as of Aug. 31, 1955 were more than four times current Liabilities of $1.7 million. Net working capital amounted to $5.4 million or $13.62 per common share. Capitalization consists of $1.3 million long term debt, 7,342 shares of $100.00 par 6% preferred and 344,000 common. Dividends have been paid on the common in all but four years since 1905. The current 60c annual dividend on the common could be improved as earnings improve and estimated increase to $1.00 a share is possible. Book value at the end of fiscal 1955 was $25.61.

Why do I like Boston Woven? Intelligent and aggressive management. The development of successfully marketed new products. The leveling off of crude rubber prices—price rises instituted last summer to be reflected this year. The possibility that the company is about ready to equal if not to surpass its peak earnings. Not forgetting to mention anticipated current earnings of $2.00 and the fact that at that figure the earnings ratio would be 7-1, something almost unheard of amongst the blue chips and its lesser known relatives.

ERNEST STENT

Partner in Charge of Research Dept.
Hooker & Fay, San Francisco, Calif.

Hammermill Paper Company

The fine paper industry is in very sound condition and one of the outstanding companies in the industry appears to be Hammermill Paper. The figures in the accompanying table show, for various paper companies, the percentage increase in sales and earnings for the first nine months of 1955, as compared to the same period in 1954.

Ernest Stent

In actual figures, Hammermill's sales rose from $20,736,592 to $24,045,911, and net income after taxes from $909,433 to $1,904,228. On a per share basis this represents an increase from $1.04 to $2.27. The great increase in earnings resulted partially from the increased sales and partially from the fact that profit margins after taxes expanded from approximately 4½% to over 7½% during the period. A substantial part of this improvement in margins is probably attributable to the reduction in costs that result from the installation of the company's patented "neutracel" process for making fine papers from hard wood pulp.

As a result, the board of directors recently raised the annual dividend from $1 to $1.30.

	Percent Increase In Sales	Percent Increase In Net Profits
St. Regis	20.0	14.8
Oxford	2.7	4.2
Lily Tulip Cup	7.2	6.3
Scott Paper	9.6	19.5
Un. Bag & Paper	16.1	30.6
Minne. & Ontario	2.5	12.5
HAMMERMILL	20.6	111.0

Besides the excellent operating results currently being reported, there is an unusual feature in the Hammermill setup and that is the item carried on the balance sheet as "Investment $99,903." Actually, this consists of 380,600 shares of the common stock of Rayonier, Inc., worth approximately $37 per share, or a total of $14,085,530. Here is a "hidden asset" that has a market value of over $17 per share of Hammermill and that is carried on the books of the company at only $99,903.

With the stock of Hammermill selling at $38, an investor buying 100 shares for $3,800, gets in addition an interest in almost 50 shares of Rayonier worth $1,750, yet the price paid for the Hammermill alone, without the interest in Rayonier, would appear reasonable for a paper stock on a yield and price-earnings basis. If we adjust the Hammermill earnings figures to exclude the dividends (53 cents per share) received from the Rayonier stock, we find that Hammermill's earnings for the nine months would still be $1.74, or well above the dividend requirement.

To carry this still further, if we deduct from the current market price (38) of Hammermill stock, the market value (18) of the Rayonier stock, we find that the paper business of Hammermill can be purchased for $20 per share. This tremendous holding of Rayonier stock, of course, brings to mind numerous possibilities for the investor to dream about: (1) Might the directors at some time decide to declare a stock dividend of one share of Rayonier for each two shares of Hammermill held? (2) Might Rayonier offer to buy Hammermill by an exchange of its own shares and in the process reacquire a substantial part of the purchase price in the form of the shares held by Hammermill, or (3) Might Hammermill use its Rayonier stock to acquire another company without any dilution in its common stock?

But aside from these considerations, from the standpoint of yield, earnings and assets, I consider Hammermill an outstanding investment in the booming paper industry. In this connection it is interesting to note that some of the higher officers of the company have, during the present year, added substantially to their holdings of Hammermill stock, which is listed on the New York Stock Exchange.

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A Sober Look at Supported Mortgages

By RAMSAY WOOD*
Economist Division of Research and Statistics
Board of Governors of the Federal Reserve System

Federal Reserve real estate Economist notes conflict of value and debt mortgage market stability policy with fostering of housing sales to implement the Employment Act. Attributes recent mortgage fund scarcity and materials cost rise to rapid forward commitment increase by commercial banks and savings and loan associations which already hold $40 billion in residential mortgages. Questions real savings achievement in the cost lowering offered by VA and FHA mortgages, and finds: (1) No experience to judge developments should capital values drop below mortgagees' repayment ability; (2) unanticipated rise in secondary mortgages, and (3) government has underwritten four-fifths of all small property debt.

A decade ago, I suppose a start might have been made very boldly on this subject with the statement that the government's insurance and guaranty of mortgage loans on residential real estate has introduced a significant stabilizing element into the operation of the economy. This general statement might have been supported with particulars somewhat along these lines:

(1) By assuming some, all, or a large part of the risk inherent in mortgage loans, the government has relieved mortgage lenders of loss and thereby removed an important source of pressure on the financial system and on borrowers alike in the event of an economic reversal.

(2) By requiring all insured and guaranteed loans to be amortized by level monthly payments, by permitting large loans relative to property values and thus reducing the need for junior financing, and by encouraging borrowers to spread the payments over long periods, the government's commitments have reduced the costs to home owners (and more generally, real economic costs) of ownership and of mortgage borrowing, and have removed or reduced the cost and uncertainty of renewal formerly so important with short-term mortgages.

(3) By establishing standards of valuation (and of construction in the case of new houses) the government has removed or minimized the effects of speculative valuation and over-extension of credit in an active market and in the same way, would discourage excessive declines in value and restriction of credit in a weakening market.

(4) By making mortgages more readily marketable through these influences the government has reduced a serious imperfection in capital markets that contributed to instability at times in the past.

(5) By assuming rather large contingent liabilities, the government has also acquired a very direct interest in seeing that general economic policies are used in such a way as to help keep real estate markets sound.

Perhaps some of you will recall that even a decade ago, reservations were being expressed on at least two of these particulars:

On the matter of valuation procedures and standards of construction governing FHA's Title VI operations, questions were frequently heard about whether they were all they should be and whether families were not being encouraged to engage in transactions they might later regret. On the mattter of the government's incentive to consider general economic policies in the light of their influence on real estate markets, two lines of approach were observable. The first reflected the view that the monetary and fiscal agencies were already giving too much weight to this consideration, and that in consequence the government might be inclined toward inflationary policies. The second reflected the view that the government's commitments on mortgages, if they had to be met, might seriously complicate the operation of monetary and fiscal policies at a later time.

As the decade has passed, these relationships between the government's commitments concerning mortgage credit and economic stability have shown different aspects and have been the subject of both heated discussion and scholarly analysis. The first four of our broad descriptions of the influence of the government's commitments would still stand, and might be stated more strongly: The government still assumes risk of loss, but on two-fifths of the debt now compared with one-fourth 10 years ago; the long-term, high-ratio, monthly amortized mortgage has been encouraged to the point of now being the standard type, even when not insured or guaranteed; the influence of government valuations and construction standards is sometimes thought of as being too great; and amortized mortgages generally are more readily marketable now than ever before.

Concerning the first of our reservations of a decade ago, although mortgages have certainly been foreclosed, it is hard to think of a period in our history when regrets about real estate transactions engaged in have been so

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*Paper presented by Mr. Wood at the annual meeting of the American Finance Association, New York City, Dec. 28, 1955. The author is an economist in the Division of Research and Statistics of the Board of Governors of the Federal Reserve System. The views expressed by the author are his own, and do not necessarily reflect those of the Board of Governors.

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BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1956. [Commentaries which could not be accommodated in today's issue will be given in the issue of Jan. 26.—Editor.]

* * *

In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1955.

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Observations . . .

By A. WILFRED MAY

VARYING ASPECTS OF THE MARKET "OUTLOOK" (FOR USE JANUARY 1, 1957)

At this turn-of-the-year forecasting time it has been our custom to list, without weighting or selectivity, an equal number of so-called *bullish* and *bearish* factors conventionally classified as likely thus to influence coming stock markets. In following this pattern, we inject the important proviso actually that in lieu of functioning as the determinant of prices, they will rather serve as *explanations* for the market's action *after* it has taken place—the applicable selection, weighting and interpretation largely depending on the varying psychological reactions of the market community.

A. Wilfred May

* * *

THE "BULLISH" ITEMS

(1)

The domestic political situation. Likelihood that Ike will run, carrying forward the public's mood of "capitalistic confidence." On the other hand, a Democratic return to power, with its Fair Deal-promoted inflation and expansion, is also regarded as bullish.

(2)

Industry's plans for vast plant and equipment expenditures, with total construction outlays estimated at $59 billion, or treble 1946. As just disclosed by Mr. Fairless, steel companies alone plan to spend $1.2 billion in 1956; and GM is "betting a billion."

(3)

Inflation — both the "built-in" and injected type. Prospective general upward wage adjustments (for an estimated two-out-of-three companies) at mid-year, which should raise the price level and volume.

(4)

The healthy low ratio of business inventories to sales.

(5)

Tax legislation in an Election year—with the prospect for some kind of voters'-bonus relief, with its fillip to mass consumption expenditures.

(6)

Government's possession of pump-priming weapons, including the monetary sector on an enlarged scale, with general assumption that they will be quickly and liberally used at early signs of trouble.

(7)

Growth in the country's population, estimated to reach 200 million by 1975.

(8)

High Defense expenditures, reaffirmed by the $1 billion prescribed in President Eisenhower's new Budget; propping and expanding the economy, and providing an effective anti-deflation instrumentality, for example, supporting the extraordinarily tight situation in the metals sector.

(9)

In the area of investment market criteria:—adequate dividend yields, buttressed by low pay-outs, which together with good earnings prospects, give promise of increased shareholder returns.

(10)

Major expansion of the demand side of common stocks. The public's growing participation in equity share holding. Rise of institutional buying of equities; 450 institutions coming along for almost a million of the new Ford shares. Advent of "virgin" stock buyers, as with the Ford offering. Among the one-quarter to one-half million subscribers, the company's dealers and employees are taking down 1½ million shares. (The success of the Ford offering, demonstrating the existence of an increased market for stock in a public that must be actively "sold," re-confirms the permanently growing stock demand through mutual fund sales).

* * *

THE "BEARISH" ITEMS

(1)

The domestic political situation (*contra* "Bullish" Item I above). The post-heart attack uncertainties, with the increased possibility of a change to a Democratic administration, with stressing of ensuing loss of confidence rather than the inflation aspects.

(2)

The likelihood of a decline from 1955's extraordinarilly high production by the automobile and building industries.

(3)

The farm situation, with possible repercussions on various investment areas.

(4)

Several other vulnerable "soft spots"—outside the farm, auto, and housing areas—in the boom; as steel and various consumer durables, and labor agitation.

(5)

Possible curtailment of inflation (*contra* "Bullish" Item 3 above) with stabilization of the price level over the short-term—bearing in mind that secular inflation in the past had been interrupted by periods of price declines extending from one to twenty-five years. Our tremendous products capacity is a relevant factor.

(6)

The great expansion in personal debt, amounting last year to $18 billion in home mortgage and consumer debt.

(7)

Tax legislation in an Election year (contra Item 5 above), with the assumption that it will be politics-steered to soaking-the-rich and forestalling businesslike reforms.

(8)

The anti-inflationary anti-boom policies of the government, with the possibility that they will get out of hand, or at least prove difficult to reverse in promptly enough.

(9)

In the area of investment market criteria (*contra* Item 9 above). The market, or at least the averages, are historically high, after their two-year rise of 100%. While many stocks are selling at reasonable price-earnings ratios, name stocks are selling at very high multiples; and further, it is claimed, the multipliers are now being applied to boom profits. And the very high personal income tax levies drastically reduce the *net* yield to the shareholder, *per se* and in comparison with tax-exempt bonds. In any event, market psychology as translated into market movements may well run counter to bullish external factors.

(10)

Possible excessive flotation of issues, including the speculative area (*contra* Item 10 above). Possible bearish aspect of the Ford issue in mopping-up the market's buying money. Additional freezing of buying power via the capital gains tax.

* * *

The above varying and self-contradictory items to be filed away for use in 1957 in interpretative reviewing of the past year.

Dr. Baer to Lecture At Hunter College

Dr. Werner Baer, security analyst and economist with Bache & Co., members of the New York Stock Exchange, will lecture on investments at Hunter College this Spring in that institution's Adult Education Program. The initial class will be held on Tuesday, Feb. 7.

Arnold Corrigan With David J. Greene & Co.

Arnold Corrigan, formerly with the Economics Department of the First National City Bank, has become associated with the Research Department of the New York Stock Exchange firm of David J. Greene & Co., 60 Beaver Street, New York City.

Now With Shaiman

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Duane F. McKenzie has become associated with Shaiman & Co., First National Bank Building. Mr. McKenzie was previously with L. A. Huey Co.

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Business Opportunities Inherent in Nuclear Energy

By O. B. FALLS*
Manager, Marketing, Atomic Power Equipment Department
Atomic Products Division, General Electric Company

Without minimizing problems yet to be solved, Mr. Falls envisions the many-faceted practical peacetime expanding opportunities of nuclear power. Greatest foreseeable application believed to be in the production of electric power to take the place of inadequate conventional fuel resources to meet an estimated need to double generating capacity by 1964. Other business uses seen in: (1) transportation—particularly, marine propulsion; (2) heating; (3) medicine; (4) chemistry; (5) food preservation, and (6) the many different components for atomic installations. In Mr. Falls' view, once nuclear plants become competitive. their rate of increase will be as high as 65% by 1980.

Like the popular song about love, the atom is a many splendored thing—and many-sided.

To the peoples of the world who remember Hiroshima, it is a thing of horror.

O. B. Falls, Jr.

To the men interested in the defense of our land, it is a thing of great importance.

To medical research men, it is a thing of promise.

To the under-developed nations of the world, it is a thing of hope.

To men of religion, it is a thing of warning.

To world leaders, it is a thing of concern.

To businessmen in this country, it is a thing of challenge — the greatest we've ever known.

I would like for the next few minutes to discuss the atom from a businessman's point of view. But, first, I will ask you to think of atomic energy unemotionally. Think of it as a new source of power — power that can benefit mankind as no other has in the past. For, after all, that is exactly what it is. As businessmen, I'm sure we can look at atomic energy in terms of its market, applications, selling features, limitations and economies.

If there is a single thing which characterizes industry in this country, it is the constant search which goes on to find better ways to do things. In the electrical industry, of which I can best speak, the advances made in the production, distribution and uses of electrical energy have been nothing short of phenomenal.

The ever-increasing number of new appliances, improvements in older appliances, in lighting, heating, and countless other products around the home—all these developments are dramatic evidence of such advances.

Consider, for just a minute, the refrigerator. Does anyone here remember when this product was simply a square box that was cold on the inside? Look at it today—revolving shelves, freezing compartments, ice water compartments, door shelves, egg holders, butter conditioners, vegetable crispers—the list of new features could go on and on. And while there have been many improvements made in this single product, the same kind of progress has been realized throughout all industry. We as a nation seem to have an insatiable appetite to find new and better ways to get things done.

And now we are at work on a project whose significance promises to surpass all of the great advances of the past. It is the harnessing of the tremendous forces locked up in the atom, and putting them to productive work.

Now the question arises—where can atomic energy be put to use? Of what practical peacetime use can it be to mankind? What is the market for the many new products and services resulting from this new development?

The answers to these questions are many-sided and—based merely on what we know or have discovered to date—will relate to many, many areas of our present-day lives. I will refer to several of these, but first let us take a look at the atom as a new basic source of energy.

Electrical Power Need

By 1964, it is conservatively estimated that this nation will require annually one trillion, forty billion kilowatt hours of electricity. This is a staggering figure, to be sure. But it is accurate. One of the biggest problems facing our nation today is to provide the power for these demands. We, at General Electric, believe that energy from the atom is the answer to this problem.

It should be pointed out now that we are not investing money and time in the development of peacetime atomic power simply because it is a dramatic and novel way of producing power. We, who for some time have been connected with the energy needs of America, seized upon the concept of atomic energy when it came before us as the answer to a problem which already existed and which we felt was going to magnify in the future.

Atomic energy, therefore, is important only because **all** energy is important.

With this thought in mind, let us look for the answer to the question of where atomic energy fits into the economic structure of our land as we know it today, and as we project it for the future.

Let's go back now for a moment and consider the electrical energy figure for 1964 I just mentioned . . . one trillion, forty billion kilowatt hours. This year, it is estimated that this nation will produce and sell approximately 476 billion kilowatt hours. This means that we will have to more than double our generating capacity within the next ten years . . . no small order!

The importance of this electrical energy is obvious. It is no accident that the United States with only 7% of the world's population produced 50% of the world's manufactured goods. More than any other single factor, the abundance of electrical energy is the cornerstone of our tremendous productivity and of our high standard of living.

However, if we are to continually broaden the production base of our standard of living, we must take a hard look at our present sources of power. We have been using our great resources of coal, oil, and gas at an accelerating rate. Though we have **vast** resources of these fossil fuels, we do **not** have an inexhaustible supply. As I have said, just within ten years we must **double** our electrical power generation. In his recent book, "Energy in the Future," Palmer Putnam states that "the reserves of such 'low cost' capital energy as the fossil fuels are small by comparison with the **maximum demands.**"

If "low cost" energy is going to determine our very economic health and growth, then in the next twenty to twenty-five years, conventional fuels will have to continue to provide an ever-increasing amount of energy. Present reports indicate that such an accelerating demand upon our conventional fuel resources cannot be sustained much beyond this period. Furthermore, the increasing use of fossil fuels for chemical, plastics, and other synthetics increases their value as raw materials rather than as an energy source. The projected power demands of the future, in the main, can be met only by some **more abundant** new source of energy. We feel that the atom represents this new source.

Atomic Energy Experience

It is to help meet this enormous growing demand for more and more power that the atomic energy plans of General Electric—and all American industry — are geared. And industry is a lot better prepared for this task than most people think.

I can speak best of General Electric's experience in this field; so I would like to review a little of our history in this business to give you an idea of how far along American industry is with the task of putting the atom to work.

(1) Working with natural uranium in initial atomic energy activities in 1939, two General Electric physicists were among the first to isolate U 235.

(2) During World War II, the Government, with its Manhattan

Continued on page 55

*An address by Mr. Falls before the San Francisco Junior Chamber of Commerce, San Francisco, Cal.

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Missiles and Motors From Britain

By IRA U. COBLEIGH
Enterprise Economist

Cheers, and some notes in commentary, on the splendid profit and progress report of Hawker Siddeley Group, submitted in London for the enlightenment of shareholders and the public, by Sir Thomas Sopwith, Chairman, on Jan. 11, 1956.

Quite after the manner of a correct Britisher responding to the ring of his telephone, we open today's piece merely by saying "Hawker Siddeley here!" For Hawker Siddeley is very, very British; but British in the glorious old "Empire" sense, and by no means in the mood, or after the dismal moaning manner of the Labor - Welfare - Attlee parlay of wooly economics, and production without vision, vista or vitality.

Ira U. Cobleigh

Let me illustrate what I mean. the sixth paragraph of Sir Thomas's remarks is all we need: "There are those who will disapprove of the apparently large profits disclosed by these Accounts. To them I would say this: 'Our profits are a reflection of excellent workmanship and efficient management, and they represent only a moderate return on the greatly increased turnover of our operating companies at home and abroad'." Bravo, Sir Thomas—and hit the road, Karl Marx!

With this somewhat unusual accolade to a truly distinguished corporate leader, let us proceed briskly to the business in hand, to wit, a swiftly pencilled prose portrait of an English industrial company which, if it were in America, would be a cross between General Motors, General Dynamics, United Aircraft and Pullman. Quite a company is Hawker Siddeley; and a not uninteresting situation for those investors willing to consider seasoned overseas' equities of investment grade.

Hawker Siddeley starts off on a defense note, ranking as the leading producer of military aircraft in Great Britain, turning out the famous "Hunter" fighter plane, mainstay of the RAF, and used as well by Sweden, Denmark, Peru, Holland and Belgium. There's also the Gloster "Javelin," an all weather fighter, in design prophetic of the next generation in aircraft, the guided missile. There's the "Vulcan," a four-jet delta wing bomber, and a new high altitude twin jet fighter, the CF 105.

Hawker Siddeley has become world famous for leadership in power plants. Its "Sapphire" gas turbine has powered the "Hunter," while the "Double Mamba" and "Python" have provided the Royal Navy with the only two turboprop engines in the world in squadron use, from aircraft carriers. The "Orenda" gas turbine made in Canada powers U. S. and Canadian Air Force "Sabres" in Europe.

Carrying on this eminence in military frames and propulsion, subsidiaries operate wind tunnels for testing plane flight up to three times the speed of sound; and large Government contracts for the development of guided missiles in England and Canada have been entrusted to the Group. There's a nuclear research affiliate, too, Hawker Siddeley Nuclear Power Company, Ltd., working on applications for atomic power use.

Switching to the more irenic phases of operation, Armstrong Siddeley division is a distinguished producer of motor cars, and pioneered in manumatic clutchless transmissions, and adjustable power steering. The new "Sapphire 236" (which comes in "saloon" and limousine styles) is fancy motoring in any clime. There's also a diesel motor division which expanded its sales 35% last year, and exported 60% of output overseas.

Further, there's a housing construction company specializing in prefabricated aluminum; alloys and forgings are turned out; plus quite a line of agricultural machinery.

Nineteen hundred and fifty-five marked an important new development in the Group's activities, when A. V. Roe Canada Ltd. acquired, for about $22 million, control of Canadian Car and Foundry Co. (Toronto). This 50 year old company has rapidly advanced its earning power in the past four years, and earned $6 million before taxes in 1954. Can-Car brings to the group big production in railway cars, equipment and castings, sold not only in Canada, but in many other countries as well. The two major Canadian roads have recently placed orders for over $50 million in freight cars and Can-Car has come out well in the quest for this business.

Can-Car also makes buses, trackless trolley cars, sells to the leading transit and inter-urban lines; and owns a majority interest in Canadian General Transit Company Ltd. Further, Can-Car manufactures aircraft, in particular the "Harvard" trainer, the "Mentor" trainer, and the Grumman S2F for Royal Canadian Navy.

Altogether A. V. Roe Canada, in addition to Can-Car, has three other subsidiaries, employs 18,500 people, and is one of the fastest growing sections in the Group.

But enough of this catalog of activities, which was introduced, not to bore you, but to delineate the breadth and diversity of Group earning power.

The remarks of Sir Thomas Sopwith, from which much of the foregoing has been culled, were by way of presenting the annual Group report, for the fiscal year ended July 31, 1955. And it made good reading. While results were given in pounds, we'll try to translate them into dollars. Net profits were roughly $15,400,000, up from $12,275,000 the preceding year, and dividends were pushed up from 29½c (on ordinary shares) to 49c. There was a stock dividend of 300% in 1951, 100% in 1954 and another 100% to be voted on Jan. 25. This Group certainly is a good earner and has given its common shareholders a pretty swell shake. Add to the $15.4 million in 1955 recorded net, the $3 million a year Can-Car can deliver and you can project some nice reading for Sir Thomas, come next July 31. This year he was content to conclude, "The policy of diversification has indeed been pursued to a greater extent than at any other time in the Group's history . . . We shall continue the process of building up as opportunity occurs . . . This is the most successful year in the company's history."

The facts that only the family edition of the King James version of the Bible, and the telephone book, use as small type as is found in the Hawker Siddeley reports; and that the prose is sort of late Macaulay, are the only drawbacks in perusal of this cheerful and vitality-laden account of a sound and intelligently expanding major industrial enterprise. There's more sock than stodginess here.

In line with the increased popularity of overseas equities among American investors, in recent years, this column has, in the past year, reported on Philips NV, De Beers Consolidated Mines, Royal Dutch, Rio Tinto Ltd., and Katanga. To this list we are now delighted to add Hawker Siddeley with its 75,000 employees; and to direct to your attention its ordinary shares. These are now selling around $10¼ to provide a yield to Americans of almost 5%, after allowance for, and deduction of, British taxes. Stack up this Group equity with representative American ones, and you'll find, over the past five years, Hawker has done a pretty decent job. Somewhat like our own General Electric, the Group management asserts "The theme of this year's work has been *progress*." Viva la progress; and in the words of Comedian Jackie Gleason "You're a good group!"

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State of Trade And Industry

Total industrial production for the nation as a whole last week registered some slight expansion and output showed a noticeable increase above the level of the similar week one year ago.

There was a moderate decline in claims for unemployment insurance with seasonal layoffs reported in the apparel, textile and construction industries. In addition numerous plants shut down for inventory-taking. It was reported the most noticeable increases occurred in New York, Pennsylvania, Massachusetts and Connecticut.

In the automotive industry United States automobile manufacturers returned last week to normal scheduling after three weeks of holiday-interrupted programming. The results, said "Ward's Automotive Reports," was a 21.5% increase over last week's output.

Domestic car makers, reported "Ward's," assembled an estimated 152,205 units the past week compared to 125,245 during the preceding four-day session. The automotive weekly noted, however, that last week's turnout fell 1.9% short of the 155,109 cars built in the corresponding week a year ago. Thus far in 1956, some 277,450 cars have passed from United States factories; the count, said "Ward's," is 9.2% less than the 305,694 units turned out in the relative 1955 period.

The truck industry, however, is thus far bettering slightly the pace of early 1955. Truck companies, "Ward's" stated, were looking for an output of 25,085 vehicles last week, or 33.4% more than the preceding week's 18,808 total, and 12.9% more than corresponding 1955's 22,220 units.

On the company front, Mercury Division adjusted its scheduling downward this week, and in doing so became the lone company whose output of 5,200 units dropped below last week's 5,957. Notable percentage jumps were made by the Independents.

Although matching other companies in boosting output last week, Dodge Division released 1,200 workers, according to "Ward's." Chrysler Division, meanwhile, anticipated a reduction of 1,000 employes, along with a slight production slowdown this week. Additional layoffs of 1,107 hourly workers were also ordered at Ford Rouge plant.

Steel Production Scheduled This Week at 97.1% of Capacity

Flat-rolled steel tonnage may be easier to get in the second quarter, provided the dip in automotive requirements continues, "Steel" magazine reported on Monday of this week.

The metalworking weekly said tonnage will not be much freer for several months since automakers are not likely to cut their mill order load sharply until the threat of a steel strike is removed.

Such a dip in demand will be welcomed by other steel users which are eager and ready to take up the slack. Easing in demand should permit diversion of semi-finished to production of the heavier products.

Optimism is so high in the machine tool industry, "Steel" reports that some top industry sources point to a $1,000,000,000 shipment year. In October and November of last year, new orders shot above the $100,000,000 mark. While December results are incomplete, it's a safe bet they'll be just as good, it adds.

Tool and die shipments will be up 10% this year, according to the magazine with volume predicted at $750,000,000 or better, equal to the record set in 1953.

Manufacture of gages and inspection devices may set a peacetime record this year. Hand gages sales could total $40,000,000, with air gages and other mechanical inspection devices adding another $20,000,000.

There will be large requirements, also, for railroad equipment, line pipe, the oil and chemical industries, building and road construction and heavy industrial and electrical facilities. Various consuming lines such as canmaking and agriculture will be stimulated seasonally as well, it further states.

While not displacing steel, the metalworking weekly said that aluminum usage in cars is being stepped up. The average number of pounds of aluminum per car has increased from 29.6 in 1955 to 35.2 this year. A record-breaking 246 pounds of aluminum will be used in passenger cars — if carmakers hit a production target of 7,000,000 automoblies.

Steel's arithmetical price composite on finished steel advanced this week to $128 a net ton from $127.60. This reflects recent changes in such products as butt-weld pipe and manufacturers bright wire. Steel's composite on steelmaking scrap at $53.33 a gross ton is up $1.16 from last week. This is the 11th consecutive week of scrap price hikes, concludes this trade weekly.

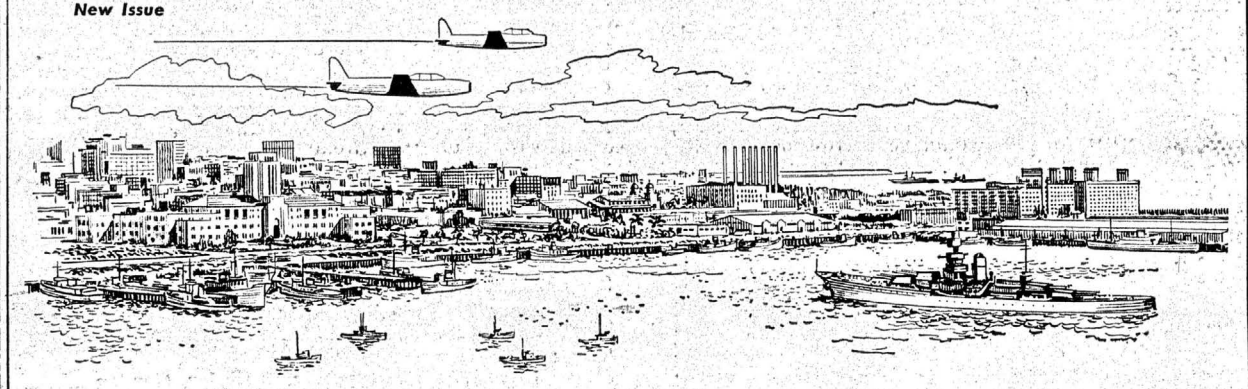
The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 97.1% of capacity for the week beginning Jan. 16, 1956, equivalent to 2,391,000 tons of ingot and steel for castings as compared with 98.6% of capacity and 2,428,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 96.9% and production 2,338,000 tons. A year ago the actual weekly production was placed at 2,008,000 tons or 83.2%. The operating rate is not comparable because capacity is higher than capacity in 1955. The per-

Continued on page 125

New Issue



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(Accrued interest to be added)

Amount	Coupon Rate	Due	Yield or Price
$380,000	3½%	1957	1.75%
380,000	3½	1958	1.90%
380,000	3½	1959	2.00%
380,000	3½	1960	2.10%
380,000	3½	1961	2.15%
380,000	3½	1962	2.20%
380,000	2½	1963	2.25%
380,000	2½	1964	2.30%
380,000	2½	1965	2.35%
380,000	2½	1966	2.40%
380,000	2½	1967	2.40%
380,000	2½	1968	2.45%
380,000	2½	1969	2.45%
380,000	2½	1970	2.45%
380,000	2½	1971	100
380,000	2½	1972	100
380,000	2½	1973	100
375,000	2½	1974	2.55%
375,000	2½	1975	2.55%
375,000	2½	1976	2.55%
375,000	2½	1977	2.55%
375,000	2½	1978	2.60%
375,000	2½	1979	2.60%
375,000	2½	1980	2.60%
375,000	2½	1981	2.60%

Dated February 1, 1956 **Due February 1, 1957-81, incl.**

Principal and semi-annual interest (February 1 and August 1) payable at the office of the City Treasurer in San Diego, California, or at the main office of the Bank of America N. T. & S. A. in San Diego, Los Angeles, or San Francisco, California, or at any fiscal agent of The City of San Diego in Chicago, Illinois, or New York, New York, at the option of the holder. First coupon (annual) payable February 1, 1957. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the City upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

We believe that these bonds are legal investments in New York and Massachusetts for trust funds and savings banks and in California for savings banks, subject to the legal limitations upon the amount of a bank's investment, and are likewise legal investments in California for trust funds and for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

These bonds, to be issued under provisions of Article 1, Chapter 4, Division 4, Title 4, California Government Code, for various Harbor purposes, in the opinion of counsel will constitute the legal and binding obligations of the City of San Diego and will be payable, both principal and interest, from ad valorem taxes which, under laws now in force, may be levied without limitation of rate or amount upon all of the taxable property, except certain personal property, within said City.

The above bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

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January 18, 1956

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Dealer-Broker Investment Recommendations & Literature

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

Alloys, Carbons, Gases, Chemicals and Plastics—Booklet on "Products and Processes"—Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Atomic Fusion Confusion—Quarterly report containing commentary on fusion, thorium, and uranium oversupply—atomic map also available—both contain portfolio as of Sept. 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bank Earnings—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Canada—Monthly bulletin—Toronto Stock Exchange, 234 Bay Street, Toronto, Ont., Canada.

Canadian Metals Survey—Latest issue—John M. Easson & Co., 217 Bay Street, Toronto, Ont., Canada.

Common Stocks for 1956—List of 80 popularly priced issues—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

Drug Industry — New Booklet — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Economic & Investment Outlook—Bulletin—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

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

Florida—Information on advantages for relocation or establishment of new businesses — Industrial Development Service, Florida Power & Light Company, P. O. Box 3100, Miami 32, Fla.

Insurance Industry—Bulletin—John C. Legg & Company, 22 Light Street, Baltimore 3, Md.

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

Investors Digest (Canada)—Monthly bulletin—Wills, Bickle & Company, 44 King Street, West, Toronto 1, Ont., Canada.

Japan's Motion Picture Industry—Analysis in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. and 1-chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a discussion on Amending Foreign Investmnt Law and Japan's Six-Year Economic Program.

Life, Fire and Casualty Insurance Stocks—Annual review for 1955 showing individual market performance of 70 issues—Walter C. Gorey Co., Russ Building, San Francisco 4, Calif.

New York City Bank Stocks—Year-end comparison and analysis of 16 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

1001 Charts—January Year-End Edition of Graphic Stocks showing monthly highs, lows, earnings, dividends, capitalizations, and volume on virtually every active stock listed on New York and American Stock Exchanges, covering 12 full years to Jan. 1, 1956—complete with dividend records for full year of 1955—single copy $10 yearly; (six revised isues) $50—F. W. Stephens, 87 Nassau Street, New York 38, 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.

Petroleum Situation—Review—Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.

Continued on page 139

NSTA Notes

THANKS . . . .

Harold B. Smith

Harold B. Smith, Pershing & Co., wishes to thank the many friends from coast to coast who have inundated him with messages and gifts during his illness. Mr. Smith has returned home (15 Fenimore Avenue, Garden City, N. Y.) from the hospital and is making an excellent recovery. He wishes he could thank everybody personally, but since this is not possible he has asked the "Chronicle" to let them know. He does appreciate this proof that he is KIM.

NATIONAL SECURITY TRADERS ASSOCIATION

Lex Jolley, Robinson-Humphrey Co., Inc., Atlanta, President of N.S.T.A. has called an organizing meeting of all National Committeemen for Monday, January 30, 1956. The meeting will convene at 10:00 a.m. at the Drake Hotel, Chicago, Illinois. This will be an open meeting and any member of N.S.T.A. is cordially invited to atttend.

The names of the National Committeemen and Alternates who will represent each group at this meeting should be filed at once. Committeemen should make hotel reservations immediately direct to Edward A. Roob, Salomon Bros. & Hutzler, 231 S. La Salle St., Chicago 4, Illinois. Inasmuch as the hotel situation is critical as usual.

SECURITY TRADERS ASSOCIATION OF NEW YORK

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Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	47½
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith	45½
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	43½
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	43
Growney (Capt.), Define, Alexander, Montanye, Weseman	41
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	40
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	38
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	38
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	35½
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	35

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Cy Bies	221
Jack Manson	203
Bernie Weissman	201
Russ Junker	201

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SECURITIES OUTLOOK

The January issue of our timely survey assesses business prospects for the new year, together with a selected list of securities with attractive investment possibilities for 1956.

Each month our Research Department discusses in this publication topics of special interest to serious-minded investors.

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The Changing Credit Picture in Agriculture

By CHARLES N. SHEPARDSON*
Member, Board of Governors
The Federal Reserve System

Governor Shepardson stresses the national importance of agriculture, and says the trends of recent years affecting the farmer and the city producer are strikingly similar. Points out the technological revolution in agriculture in the last 15 years has increased the need of capital by the farmer to a greater degree per worker than in manufacturing. Discusses the increasing demand by farmers for intermediate credit and the role banks should play in granting loans of this type.

Agriculture has truly become a major industry as well as a "way of life"—an industry fraught with all of the problems of adequate investment and operating capital, production efficiency, markets, and salesmanship that confront any other industry, in addition to the hazards of nature with which the farmer has always had to contend.

Gov. C. N. Shepardson

For years we have thought of industry and of agriculture as if they were separate and distinct economies, each with its own peculiar characteristics. Too frequently we have not fully appreciated that the developing trends of recent years have led to a situation in which the similarities between the farmer and the city producer are fully as striking as the differences.

Farm output for human consumption has advanced throughout our history but the advance has been greatly accelerated during the past 15 years. Prior to 1900, this increased production was largely the result of expanding land frontiers and increased acreage in cultivation. From 1900 to 1940, science and technology played an increasing role as land frontiers diminished. During the past 15 years, with a fairly stable acreage in cultivation, output has increased 35% even with a decrease of 28% in farm population. This latter increase is almost solely due to increased productivity per acre and per man-hour and has been brought about by the astounding advances in agricultural science and technology and the substitution of capital for labor. There was a time when a man with a team, a wagon, a plow, and a cow, a sack of seed and enough determination could move onto a government homestead and, by long hours of hard work and sacrifice, build himself a farm and a home. That condition no longer exists. Today the farmer must have technical "know-how" as well as integrity, and he must have access to adequate capital as well as willingness to work. The increased productivity to which I have referred has made not only possible, but necessary, the enlargement of the family farm unit if the operator is to make the most efficient use of modern technology and machinery. As a result, the capital requirements have become staggering in terms of our former standards for farm credit.

The value of production resources on typical commercial family-operated farms outside of the South, in 1954, ranged from an average of $25,000 for dairy farms to an average of over $100,000 for some grain producing farms. The average investment on southern family farms was much smaller, ranging from $10,000 to $20,000. While the large number of these small farms reduced the national average, it still amounted to about $23,000 per farm in 1954, or nearly four times the 1940 average of $6,000 and it is continuing to increase.

These figures refer to the physical capital used in farming—the land, buildings, livestock, and equipment. They do not take account of the value of a modern dwelling and modern household equipment, which are almost an essential part of the farm equipment, if we expect to hold our capable, ambitious young farmers and their families on the farm. Neither does it include the operating capital necessary to meet current cash expenses, which are also increasing from year to year. These two items may well add another $8,000 to $10,000 to the average. Usually this large capital investment on a farm must be obtained and controlled by one individual.

Capital Needs of Agriculture

The whole technological revolution in agriculture of the last 15 years is reflected in these figures, as well as the effect of the much higher price structure of the economy. With the increases that have occurred, the capital needed per worker in the agriculture industry now exceeds the capital required in manufacturing and other off-farm activity.

In looking at a breakdown of these figures, one finds further reflection of the drastic change in farm production methods and operations in the dollar investment in machinery and equipment. Before the war, the average farm in this country — including both small and large farms — had an investment in these assets of about $400. Today the machinery inventory averages $3,100, about eight times the 1940 level On a typical commercial farm outside the South the necessary machinery and equipment may be valued at $10,000 or more. Even in terms of constant dollar values, the current investment in machinery and equipment is nearly four times that of 1940.

As you know, the cash operating expenses have increased greatly since before the war, reflecting, in part, this increase in investment needs and, in part, the increased quantity and variety of other items that farmers must purchase to produce at lowest possible cost.

Production expenses per farm in 1954 averaged about four times the 1940 level, or $4,300 compared with $1,050. Expenses have remained at high levels in these recent years of declining farm prices and have now started to rise again as many of the items purchased by farmers begin to reflect the price increases occurring in the prosperous nonfarm economy. Production expenses, as compared with prewar, are relatively higher than gross farm income. In fact, farmers' net return per dollar of gross receipts this year will be smaller than for any other year of record except in the depths of the depression in 1932. Farmers' net income will be about 32% of their gross compared with 46% in 1947-49, and 36% in 1940. This smaller share of gross emphasizes not only the cost-price squeeze of recent years but also high cost structure facing farmers and the shift that has occurred from home produced to purchased power and supplies. With increased overhead in terms of capital investment and increased operating costs, the need for increased efficiency and increased output per operating unit is obvious. In this connection, it is interesting to note that the biggest increase in operating expense is in the cost of depreciation on machinery and equipment, further emphasizing the importance of volume per unit.

The Agricultural Credit Situation

What are the implications to lenders of the great changes in farm capital needs and in production expenditures? The situation can be summarized as follows:

(1) The much larger and more complex enterprises that farmers manage now require a range of skills and knowledge so broad that the average farmer frequently finds himself in need of expert assistance. This is especially true in his borrowing and investing decisions.

(2) To a much greater extent than in the past, credit, properly used, must be one of the tools by which farmers acquire and operate today's efficient enterprises. We should expect that average debts per borrower will be much larger than we have been accustomed to think of in the past, particularly among beginning farmers or for farmers on units being converted to new types of farm operations.

(3) An increasing share of farmers' credit needs are for intermediate term types of investment. I feel this is one of the most important areas of farm lending today.

We have noted the relatively rapid rate of farm mechanization. Farm machinery is a semi-permanent type of investment which produces income over a number of years. Just as the income is received over a period of years, similarly a loan to purchase such machinery should properly be repaid over a period of years. Machinery is only one of several important investment needs that are neither fixed capital, as land, nor current operating capital, such as crop expense. With the high cost of land, farmers are turning more and more to making their present land holdings more productive. Many soil conservation measures and irrigation systems also require and merit longer term credit than is usually available.

A similar situation is found in the case of the farmer who needs to change his farming operation to a new type better suited to market conditions, to the re-

Continued on page 79

*An address by Gov. Shepardson before the 4th National Agricultural Credit Conference of the American Bankers Association, Chicago, Ill., Dec. 2, 1955.

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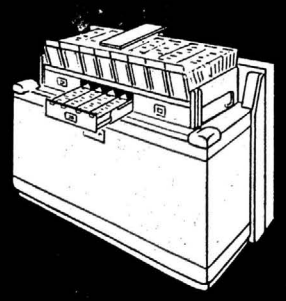

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NEW ISSUE January 17, 1956

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The Rising Tide of Treaties and Federal Domestic Guaranties

By JOSEPH MOSBY HORNOR
San Antonio, Texas

Author points out the inconsistancy of binding nature of international treaties and the failure of the Federal Government to fulfill its guarantees, made to the people. Cites our failure to redeem U. S. currency into gold and the "dishonesty" involved in our Social Security System.

A striking cartoon by Gales appeared in the "San Antonio Light" of Nov. 27, 1951, bearing the caption "The Rising Tide." Pictured is the Statue of Liberty, half engulfed by an immense growing pile of foreign treaties and international agreements. With difficulty, the goddess continues to hold aloft with her right hand the torch of liberty as she intently examines the Declaration of Independence.

J. M. Hornor

Four years later the tide continues to rise. Indeed the making of a foreign treaty or of an international agreement seems almost to be a daily occurrence, and this fact impels considering here one requirement of a lasting treaty. Treaties of peace, which are the world's most emphasized treaties, have never been durable. In his *"Advance to Barbarism,"* page 8, the author, Frederick John P. Veale, tells us:

"The historical sociologist, Jacques Novicow, has estimated that, during the last 3,000 years, there have been 13 years of war to one of peace. 'Between the year 1500 B. C. and the year 1860 A. D.,' he writes, 'more than 8,000 treaties of peace each intended to remain in force forever were concluded. The average time they remained in force is two years.'"

The durability of treaties through the fractional period since 1860 has not been something to excite great optimism.

What Is a Treaty?

In his *"The Constitution of the United States,"* pages 721-722, the lamented jurist, John Randolph Tucker, said:

"A treaty may be defined to be a compact between nation and nation."

On the authority of Webster, a compact is an agreement between parties and an agreement is an exchange of promises.

An Analogy

To see the analogy here referred to two important facts should be observed. The first is that our Federal Government's promise in a treaty, like the promise of an individual in a compact with one or more, depends on conscience. The second is that this government's promise in a contract is not like an individual's promise in a contract; for, unlike the latter, the first is not enforceable solely as the result of a court's decree. The command cannot be met without Congress' consent.

"When the United States, with constitutional authority, makes contracts, it has rights and incurs responsibilities similar to those of individuals who are parties to such instruments. There is no difference, said the Court in *United States v. Bank of the Metropolis,* 15 pet. 377, 392, except that the United States cannot be sued without its consent."—*Perry v. United States,* 294 U. S. 330, page 352.

"When the Court of Claims or the circuit courts of the United States render judgments against the United States there is no method of enforcing them and the judgment is of no avail until Congress appropriates money to pay it.—*Tucker, op. cit.,* page 782.

From the foregoing, a distinct analogy appears. It consists in the fact that our government's declaration in a treaty and its declaration in a contract, both, are dependent on the maker's conscience.

The Requirement

The requirement for us as one of the makers of a treaty, which will now be considered, is that we, the United States of America, have the ability to give in exchange a valid promise. Validity cannot exist in the promise of any person or persons guilty of having broken faith until that breach of faith shall have been mended completely. Because of this, some questions immediately arise.

How Great Is Our Monetary Integrity?

Our government furnishes as our principal *media* of exchange promises to pay dollars, and thus conveys to the holder of such *media* that these constitute currency redeemable in gold, the substance of our standard dollar. They are not redeemable in gold, except in foreign lands, a gravely unjust condition. Yet the Secretary and the Assistant Secretary of the Treasury refer to this irredeemable currency as "sound" currency.

"An irredeemable currency is unsound currency, and it is dishonest currency unless its issuers confess bankruptcy and point to the unavailability of any better monetary instrument."—Excerpts from an article by Dr. Walter E. Spahr in *"The Commercial and Financial Chronicle,"* Aug. 4, 1955, page 18.

Our government has repudiated bonds payable in gold.

"If the great Government of the United States were a private corporation, no bank would take its name on a piece of paper, because it has cynically repudiated the words engraved upon its bonds."—*The People's Pottage,* by Garet Garrett, page 8.

"'. . . In advertising savings bonds as the best of investments, our government is not honest as long as the dollar is not redeemable in gold.'"—Quotation in the August, 1955 *Monetary Notes,* No. 27, page 6, from a letter to the publis'ers from John S. Codman, 101 Chestnut Street, Boston 8, Mass.

Certain Dishonesty Involved in Our System Called "Social Security"

Since Social Security's foundation, 18 years ago, our government's liabilities arising therefrom have been large. Today these are much greater than previously to last year.

"In 1954 the so-called Social Security system was revamped in such a way that a staggering number of billions of dollars in additional liabilities under this program today is of the order of magnitude of our total national debt as reported by the Treasury."—*"The Commercial and Financial Chronicle,"* Aug. 4, 1955, "As We See It," page 18.

Our conventional national debt now approaches $300 billion.

Dr. Clarence Manion recently said concerning the Federal Social Security system:

'The promoters of the great Social Security deception never advertised it to the people as a slick, easily collectible form of constantly increasing taxation. Nevertheless when the original Federal Social Security Act was passed upon by the Supreme Court in 1937, it was validated by that Court *merely as an exercise of the Constitutional taxing power of Congress for the benefit of the general fund of the United States Treasury."*—*"The Commercial and Financial Chronicle,"* July 28, 1955, "Social Security or Socialistic Coercion?" by Dean Clarence Manion, Sponsor Manion Forum of Opinion, South Bend, Ind.

Below are quotations from the opinions of the Supreme Court in the two cases testing the constitutionality of the Federal Social Security Act in 1937:

1st.—"The proceeds, when collected, go into the Treasury of the United States like internal-revenue collections generally."—*Stewart Machine Company vs. Davis,* 301 U. S. 548, page 574.

2nd.—"The proceeds of both taxes are to be paid into the Treasury like internal-revenue taxes generally, and are not earmarked in any way. There are penalties for non-payment."—*Helvering vs. Davis,* 301 U. S. 619, page 635.

The following forcibly corresponds with Dr. Manion's view:

"The proceeds of Social Security taxes are now thrown into the pot with all other Federal revenues. They may be spent to buy over-priced caps for sailors, for lunch at the Shoreham hotel or to pay some Congressman's fare to Europe. However spent, the point is they are gone—and permanently.

"Had the arguments and promises used on the public to sell this deal been incorporated by a stock promoter in a prospectus; and had it then been matched up with his performance, he would still be in jail."—Last two paragraphs of a letter from *L. H. Hume,* North Canton, Ohio, to the Editor, *The*

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Wall Street Journal, which was published therein, Aug. 4, 1955.

Conclusion

As we have seen, there is an analogy between a promise given in a contract by our Federal Government and one given by this government in a treaty or international agreement. Faith has been broken in the groups of contracts mentioned. Protests against this action have been heard and lost in our Supreme Court; but the dishonesty shown here to be involved, glaring though it is, continues to be ignored by our administrative and legislative bodies. These seem to overlook the dependence on conscience of both government contracts and treaties.

At the present time, therefore, new promises in treaties to be asked of us by others or new ones to be offered by ourselves cannot be justified, supported, or defended.

Necessary as is validity in promises given us in any treaty, let us put ourselves in a position to demand evidence of validity by completely mending our own breaches of faith, among which are the two very ugly ones mentioned here. Caution in that direction surely would induce us to employ greater care generally in making treaties, and thus bring about a lowering of their present dangerous rising tide.

S. F. Stock Exchange Elects Officers

SAN FRANCISCO, Calif.—The Annual Meeting of the San Francisco Stock Exchange was held for the election of Chairman of the Board, three members of the Governing Board to serve two years, and the election of a Nominating Committee to serve during the ensuing year.

William H. Agnew of Shuman, Agnew & Co., was re-elected Chairman of the Board to serve for one year. Richard P. Gross of Stone & Youngberg, Joseph A. Johnson of Stern, Douglass & Co., Inc., and George J. Otto of Irving Lundeborg & Co., were elected members of the Governing Board to serve two-year terms. Carryover members of the Board are George W. Davis of Davis, Skaggs & Co., Warren H. Berl of Edwin D. Berl & Sons, and Ronald E. Kaehler, President of the Exchange.

The Exchange members elected the following to serve on the Nominating Committee for the current year: Marco F. Hellman of J. Barth & Co., Chairman; Edwin D. Berl of Edwin D. Berl & Sons; Stanley R. Dickover of Mark C. Elworthy & Co.; M. J. Duncan of Calvin E. Duncan & Co.; William V. Murphy of A. G. Becker & Co., Incorporated; and Scott H. Stewart, Jr. of Shuman, Agnew & Co.

Immediately following the Annual Meeting, the new Governing Board held its first meeting and re-elected George W. Davis as its Vice-Chairman.

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(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—John J. Cameron has become connected with C. C. McCune & Co., Third National Building.

Agger Corp. Opens

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Clarence E. Booth Opens

Clarence E. Booth, Jr. is conducting a securities business from offices at 88 Morningside Drive, New York City.

2 With Reinholdt Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Boyce W. Meyer and Richard Nemeth are now connected with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

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January 17, 1956

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Free World's Capital Needs During Next Five Years

By G. KEITH FUNSTON*
President, New York Stock Exchange

Mr. Funston envisions $90 billion new capital required for free world's maintenance of next five years' per capita growth. Exported capital doubled to $26½ billion since 1946 and 1954 earnings totaled $2.5 billion. Man-in-the-street capitalism and growth abroad seen as potent anti-Communist weapon and assist to U. S. world's leadership role. Foreign investment growth depends upon elimination of (1) exchange rate multiplicity; (2) expropriation laws; (3) discriminating tax laws, and (4) achievement of convertibility and U. S. disclosure standards. Points to NYSE's role in listing foreign securities.

There was a man once, a giant of his time, who boiled down the complexities of world trade to a very simple truth. He said: ". . . A must take some of B's produce, otherwise B will not be able to pay for what he would take of A."

G. Keith Funston

The author of that quick lesson is unique in America's history. He was a visionary with cool, common sense, and we would be hard put to find another man who left so deep an imprint on our life as an editor, publisher, financier, economist, scientist, philosopher and statesman. It is fitting and fortunate that your meeting takes place during a world-wide celebration marking the 250th anniversary of Benjamin Franklin's birth.

It is said of Franklin that he wasn't entrusted with writing the Declaration of Independence for fear he might conceal a joke in it. But for all his incisive humor his greatness lies in the fact that his guidance is as pointed and applicable now as it was two centuries ago. Franklin's simple truth about "A buying B's produce" sets in perspective one of the most haunting of our 20th century problems — world trade and the free world's job of living together.

World Picture Shows Trade and Investments Rising

It is a curious commentary on the course of history that in some ways we have come the full circle since Franklin's day. His most fruitful years were spent explaining the needs and hopes of a "have not" America to the old world.

There is not much question today that we are still badly in need of explanation and understanding. We are still living in a world in which the basis for our existence is challenged. And once again we find ourselves in many ways a "have not" nation, though what we lack are not the manufactured goods we once required, but critical raw materials needed to feed our 20th century technology.

But the parallel with the past, I think, ends there. The burden of free world leadership has been thrust on us—and we have assumed it. The great majority of Americans know today that finding workable solutions to major economic problems is nothing less than a world-wide search — and that search has become a matter of national policy.

We have learned, in the course of our growth, that it is not necessary for some **people** to be poor so that others can be rich, any more than it is necessary for some **nations** to be poor so that others can flourish. We know, in fact that we shall never again be comfortable as long as there is desperate want in the world. This has prompted Historian Arnold Toynbee to predict the 20th century will be remembered not for the conquest of disease, or for splitting the atom, but for "having been the first age since the dawn of civilization . . . in which people dared to think it practicable to make the benefits of civilization available for the whole human race."

We have discovered, finally, that trade relationships draw their real strength from the mutual benefits to be gained. A clear road to peace and prosperity has emerged. It lies through the two-way flow of goods, know-how and above all, capital. The opportunities this presents to us are enormous.

If we could view our world through a single window we would see that, despite our disappointment since Geneva, many of our recent fears have come to naught. On the other hand, many of our hopes have materialized beyond our expectations. Europe, its economic confidence restored, is no longer plagued by the fear expressed in the adage "when America sneezes the world catches pneumonia." All around us we see world trade on the upswing, foreign investments growing, underdeveloped countries improving their living standards, inflationary pressures being held in check, and conditions for freer exchange of foreign currencies into dollars being achieved.

Our window-on-the-world cannot, of course, look into the future. But we don't need any special vantage point to tell us that the people of the world have seen a vision of a better life—and there are several things about that vision that are inescapable. The first is that it is spreading to every corner of the globe. The second is that in the free world venture capital is really the stuff the vision is made of. The years ahead are going to take unprecedented amounts of capital for heavy fixed investments. We have tried at the Stock Exchange to estimate the scope of what is likely to be required throughout the rest of the free world for the next five years. We find, for example, that over $90 billion of new capital will be needed to maintain the recent growth in per capita output.

Well, unaided, the people of the world are simply not equipped to supply that amount of investment money. But with American help there is the prospect that a goodly amount of it can be raised. And our national self-interest — our need for raw materials and for new world markets—demands that we undertake the job to a greater extent than we have ever attempted.

If we do—and there is tangible evidence that such a move is underway—we can hopefully expect to see in the next 25 years a boom in underdeveloped coun-

Continued on page 83

*An address by Mr. Funston before the World Affairs Council of Philadelphia, Jan. 13, 1956.

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From Washington Ahead of the News

By CARLISLE BARGERON

Like the passing of a very old loved one, the Eisenhower budget is a saddening thing. You are not shocked at the death of the loved one because you have realized for a long time that it had to come. Nevertheless, it marks the passing of an era.

Carlisle Bargeron

It has long been pretty apparent that sooner or later the Republicans would be forced to acceptance of the New Dealers' philosophy of Federal spending to promote the Welfare State. Now it has come. Both major political parties are now committed to the proposition that the welfare of the citizen—his education, his health—is the particular concern of the Federal government. There won't be any turning back. Rather, the trend will be towards increasing paternalism with the two parties vying with each other as to which can give the most.

A lot of us had hoped, had even expected, that the Republicans while not "turning the clock back," would put a stop to the trend towards the Welfare State. And for three years they seemed to be trying to do just this. But the President's budget is a complete capitulation. On the eve of a national election the pressure was too great. It may be that the President, himself, has not yet made up his mind as to whether he will run again. But there can be no doubt that the Republican party is running again and Mr. Eisenhower was clearly willing to go along with them in giving them a budget on which to run. On the domestic front and in foreign spending, it is about as New Dealish as the New Dealers themselves might produce.

Instead of cutting down at this late date on foreign aid, it is proposed that there be more of it, and that commitments be made to carry it on for another 10 years. There is to be no surcease from the heavy military spending, rather a substantial increase. The President, although not completely closing the door to a tax cut, expressed doubt there could be one, and then in the next breath asked for a tax increase which is what the proposed postal increase is. On this increase, in fact, depends the President's claim that the budget will be balanced. Yet there is little likelihood that this postal increase will be granted.

In this tight situation the President says there should be some reduction of the national debt. At a rate of $2 billion a year it would take 100 years to bring it down to the size of debt that the Federal government must forever maintain to handle social security, or around $80 billion.

For the past several weeks it has been apparent that the Administration was turning completely around on foreign and military spending and on its resistance towards spending for schools and for health. Only a year ago, it made only token proposals on the two latter in order to quiet the agitation. The agitation was not quieted so the Administration turned around and went whole hog. Similarly its disposition was to slow down on foreign aid and military spending. Instead it has come up with proposals that have left its Democratic critics aghast. This is necessitated, it is argued, by the Russians stepping up of the cold war. If the Russians can make us increase our spending through gestures, it goes without saying that we will be gestured to death. You wonder what has become of the Republicans' claim of prosperity without war. We don't have the war but too much of our prosperity, it would seem, turns upon preparation for war, or to prevent war whichever way you want to take it.

Secretary of the Treasury George Humphrey is sick at heart these days. He is claiming that he has accomplished what he came to Washington to accomplish, the balancing of the budget. But he knows that this hasn't been accomplished, in any real sense. He has been up against a heartbreaking task. Now, it wouldn't be surprising if he eased out of the picture and returned to his home in Cleveland.

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Business Man's Bookshelf

Do Right to Work Laws Hurt or Help the Economy?—Survey—National Right to Work Committee, 35 Rust Building, Washington, D. C. (5 copies), $1.00.

Economics of Feed Materials and Fuel Processing Problems—J. Carlton Ward, Jr.—Address before the 23rd annual convention of the Edison Electric Institute—Vitro Corporation of America, 261 Madison Avenue, New York 16, N. Y. (paper), on request.

Education in France—France Actuelle, 221 Southern Building, Washington, D. C. (paper), 25c.

First Three Years of the Schuman Plan—Derek Curtis Bok—International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper.)

Foreign Exchange Regulations in Great Britain, Supplement 11—Bank for International Settlements, Basle, Switzerland (paper),

How to Save Money On Your Farm Income Tax—J. K. Lasser—Nitrogen Division of Allied Chemical & Dye Corporation, 40 Rector Street, New York 6, N. Y. (prices on request).

How to Save $7.5 Billion a Year and cut your Federal Individual Income Tax 25%: Condensation of Reports of the Hoover Commission—Human Events, 1835 K Street, N. W., Washington 6, D. C. (paper), $2.00 (quantity prices on request.

Mathematics of Finance—Paul M. Hummel and Charles L. Seebeck, Jr.—Second Edition—McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y. (cloth), $4.75.

Planning the Future Strategy of Your Business—Edited by Edward C. Bursk and Dan H. Fenn, Jr.—McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y. $4.25.

Policies to Combat Depression—A Conference of the Universities—National Bureau Committee for Economic Research—Princeton University Press, Princeton, N. J. (cloth), $8.50.

Trade Union Library: 1955 — A Bibliography—Industrial Relations Section, Princeton University, Princeton, N. J. (paper), $1.50.

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The Marketing Revolution

By DR. CHARLES F. PHILLIPS
President, Bates College

College President describes the rapidly evolving changes in distribution and sees marketing at the Frontier of greater importance in the years just ahead when competition is expected to be at an all-time high. Terms advertising a major selling tool for goods of all type but stresses need of other factors in developing a successful marketing program. Sees today's marketing plans based upon: (1) service to the customer; (2) marketing research; (3) product planning, and (4) selected channels of distribution. To avoid possible marketing failure, President Phillips recommends an adequate organization, property trained personnel, and delegation of responsibility by limiting people reporting directly to an executive. Concludes that our system giving freedom to individuals accounts for our high per capita production.

Perhaps a good point of departure for us today is to observe that the great economic changes, through which the United States and Canada have been going in recent years, have been accompanied by a Marketing or Distribution Revolution—and that, today, the importance of marketing is both growing and will continue to grow in the years ahead.

Charles F. Phillips

What do I mean when I say that a Marketing Revolution has taken place in this country and in the United States? Just this: Such great changes in marketing procedures, methods, and policies have taken place in our economy during the past 50 years that we can describe them in nothing less than the term "revolutionary."

You can see this revolution in any direction you wish to look. To take just two illustrations, glance at what has happened to the number of people employed in the performance of marketing functions. Census figures make it clear that at least one out of every four people employed in my country performs marketing functions. These figures also indicate that the number of people employed by marketing activities is growing far more rapidly than the number engaged in production. For example, during the last 50 years alone, the number in marketing has increased nine times, as against a three-fold increase for production.

*An address by President Phillips before the Marketing for Management Seminar, Toronto Chapter, American Marketing Association, at the University of Toronto, Canada, Jan. 6, 1956.

As our second illustration, look at the key executive positions occupied today by marketing men. In 1920, but 18% of a representative group of American corporations had given the title of vice-president or president to its key marketing executive. By 1938, this percentage had increased to 56%. While a current comparable figure is not available, it is obvious that this percentage today would be even greater than it was 18 years ago.

Changing Marketing Policies and Practices

With marketing executives occupying key executive positions, it is not surprising that recent years have seen a substantial increase in the amount of executive attention given to marketing policies. Fifty years ago little attention was given to them. At that time executives didn't worry too much about concentrating on selected channels of distribution rather, they sold to anyone who stood ready to buy from them. They didn't burn the midnight oil worrying about their after-sale service policies; rather, if their product broke down, they would decide in each individual case whether or not they should trouble themselves to repair it. Or again, many executives of 50 years ago would feel quite out of place were they to sit in on a present-day discussion of price policies. To them, price was a matter of finding a unit cost figure and adding something for profit. And still again, 50 years ago can you imagine your company letting you have time off to come to a seminar, such as we are having here today?

Why are we willing to devote so much executive time and company money to marketing policy formation? On the fiftieth anniversary of his wedding to Mrs. Ford, the great automobile manufacturer, Henry Ford, was asked how he explained his long and successful married life. He replied that a successful married life was produced in exactly the same way as a successful automobile; that is, you merely begin with one model and stick to it. Well, this may be the key to a successful married life, but most of us have discovered long ago that this is *not* the key to a successful business. Our competitors won't let us follow such an easy policy. Instead, we must continue to adjust our policies to changing conditions. It may be dignified for a company to have traditional policies and practices—but we also need to remember that there is nothing more dignified than a corpse!

As a result of all the thinking marketing men have given to their policies, major changes in company outlook and practices have resulted. In fact, so many have been the changes that I shall not even attempt to list all of them, let alone discuss them. For example, we could spend hours discussing the revolution which has taken place in the retail field alone—shopping centers, self-election and self-service, the devepolment of mass retailing. Or we might, and profitably, devote an hour to the impact of fashion on marketing. But let me just emphasize four of these changes which I believe to be especially important to you.

(1) **Increased recognition of the customer point of view.** Much of the seller's philosophy concerning the customer of 50 years ago is expressed in the story of the grocery store operator who called to his son in the basement of the store to say "Son, sand the sugar, water the vinegar, and get upstairs for evening prayer."

Today that philosophy of "the customer be damned" has largely disappeared. I say "largely" because occasionally I still come across a seller who practices it. I met one of them a couple of summers ago in the course of a trip to the West Coast. He wanted to determine exactly where I should sit in his restaurant, despite my desire to sit elsewhere. When we reached an impasse in the final decision, I exercised my consumer-king rights and enjoyed dinner in another restaurant. But that experience was exceptional. The majority of those engaged in marketing today recognize the validity of those lines of Edgar A. Guest entitled "Good Business":

If I possessed a shop or store, I'd
drive the grouches off my floor!
I'd never let some gloomy guy
offend the folks who come to buy;
I'd never keep a boy or clerk . . .
with mental toothache at his work,
Nor let a man who draws my pay
drive customers of mine away.

I'd treat the man who takes my
time . . . and spends a nickel or a dime
With courtesy, and make him feel
that I was pleased to close the deal,
Because tomorrow, who can tell?
He may want stuff I have to sell,
And in that case, then glad he'll be
to spend his dollars all with me.

The reason people pass one door
. . . to patronize another store,
Is not because the busier place . . .
has better silks, or gloves, or lace,
Or special prices, but it lies . . .
in pleasant words and smiling eyes;
The only difference, I believe, is
in the treatment folks receive!

In other words, today's marketing plans must be based on service to the customer. It is our obligation to discover what he wants, how and where he wants it, and under what conditions. Recognition of this fact represents a revolutionary change in the marketing world.

(2) **More emphasis on marketing research.** In part, the greater recognition which is given to marketing research today as compared with even 20 years ago is a direct result of trying to find out what the customer wants and under what circumstances. But customer research — as exemplified by so-called consumer surveys—is but a small part of today's marketing research activities. We also use it to forecast sales, set quotas, measure salesmen's performances, set standards for wholesalers and retailers, test package design, study advertising effectiveness, establish prices, and in a host of other areas. While the total amount still spent on marketing research is small as compared with technical research, and while our research techniques are still rather crude, the increased emphasis on this tool as a more scientific approach to marketing problems is a step in the right direction—and it marks a revolutionary change in the thinking of those engaged in marketing activities.

(3) **Recognition that merchandising or product planning or development, as it is referred to by many, is an essential function of marketing.** Here again, the change has been revolutionary. Fifty years ago a man got an idea of a product for which he *thought* there might be a market. He hired a couple of workers and began to turn it out in his basement. If the market proved to be there, he succeeded—at least until someone else came along with a better product; if the market was not there, he failed, and went back to his old job of selling for someone else.

Today's large manufacturers have too much invested to let someone else take their markets away from them with better products. They have learned that to avoid this result they must concentrate on improving their products. This improvement may take the form, for example, of a better quality of product, more attractive packaging, eliminating products with which users have found fault, or adding new products to supplement existing lines. Representatives of the manufacturer must be in close touch with consumers, retailers, and wholesalers to determine their reactions to the merchandise produced. Competitors' products must be studied continuously, and contests may be held to obtain suggestions for additional uses of products and to learn methods by which they may be improved. All in all, the manufacturer's merchandising job is one of seeking constantly to improve his present products, of creating new products to supplement his existing line, and of timing the introduction of new items to obtain the most favorable response.

(4) **Greater reliance upon advertising as a selling tool.** I will not bore you with statistics as to the revolutionary growth of advertising in recent years. It has become a major selling tool for producers' goods as well as for consumers' goods. In fact, today it serves several purposes:

(1) It aids in the introduction of new products to the market through familiarizing potential

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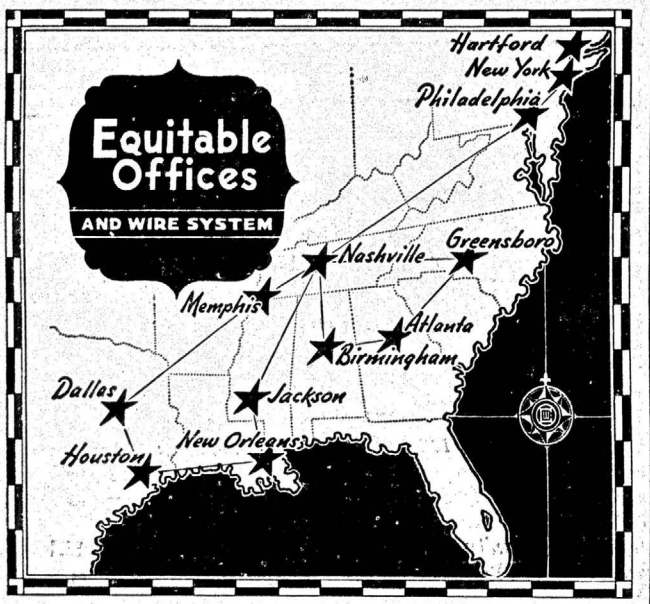

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A Case Against Federal Aid to Education

By ADAM S. BENNION*
Chairman, Study Commission on Education
Commission on Intergovernmental Relations

Dr. Bennion, pointing out businessmen of America for a quarter of a century have been fighting to prevent the Federal Government from taking over industrial and professional activities, calls attention to recent moves toward Federal support and control of public schools—"the very citadel of liberty itself." Describes activities of White House Conference on Education. Quotes President Eisenhower on danger of centrally controlled education, and lists four statements presenting the case against general Federal Aid to Education. Concludes it is sounder business for those who spend the money to have to make it.

For a quarter of a century, the businessmen of America have been fighting to prevent the Federal Government from taking over such enterprises as transportation, the natural resource, power, and medicine—not to mention hundreds of other industrial activities. Now you must yield to — or prepare to combat — a march against the very citadel of liberty itself—the American common public school, elementary and secondary.

Dr. Adam S. Bennion

Last week at the White House Conference on Education—it was perfectly clear that the administrators of that school, well organized as they are, are determined to have the Federal Government enter upon a field which to date in America has been the domain of the states and local communities.

The White House Conference was a stimulating experience. It was well set up and allowed full and free discussion on the part of some 1,800 people around 166 conference tables. Those in charge planned the gathering to be thoroughly democratic, but once again a capable, well-organized and directed minority showed how effective it can be against an unorganized and undirected miscellaneous group.

Would you know the effectiveness of the organized effort, check the personnel of the last two tables working on the most critical subject before the conference —Finance. The purported balance of 2-1 laymen — to educators — had become substantially a 3-1 relationship the other way round.

Not only so, but the major addresses at the conference—before and after the table discussions presumed some form of Federal Aid.

Objections and reservations had been siphoned off in the progressive discussions. Of course, they may be found in the written protests filed, but they have not caught the public eye.

Like President Eisenhower, very many of the delegates, based their recommendations upon a program of limited aid to those needy states unable to meet their classroom shortage.

The Conference was not the voice of America calling for general and unlimited Federal Aid.

Let me quote from the President's message: "The first thing is that education of our young should be free. It should be under the control of the family and the locality. It should not be controlled by any central authority. We know that education, centrally controlled, finally would lead to a kind of control in other fields which we don't want and will never have so we are dedicated to the proposition that the responsibility for educating our young is primarily local."

"We know that there are many areas in which people cannot afford to build the schools, to provide the facilities that the populations of that particular area need."

That's in keeping with our great President's pronouncement while he was still at Columbia University.

"I firmly believe that the army of persons who urge greater and greater centralization of authority, and greater and greater dependence upon the Federal Treasury are really more dangerous to our form of government than any external threat that can possibly be arrayed against us."

All of us are aware of the vital significance of education in a republic. And we champion the cause of improved educational processes even though we are opposed to the principle of Federal Aid.

Backlogs of Building Needs And of Teachers

We are all mindful of the fact, that because of two wars and Korea and a depression, with **a consequent shortage of materials** —together with an unprecedented increase in birthrate—there is a backlog of building needs. You are aware too, that the estimates of those needs presently before the nation were tabulated in the office of the Commissioner of Education from reports from the State Superintendents of schools —certainly interested parties and beneficiaries of possible favorable legislation.

Two estimates give us pause before we accept the data as conclusive. Oregon listed a deficit against her building needs of $14,000,000. Washington, her neighbor, larger by 50%, listed a deficit of $250,000,000.

In arriving at total cash costs, school room estimates varied all the way from $16,000 to $49,000. Needs can so easily be transformed into wants—especially if we think that we may not have to foot the bill.

The point has been made that in addition to building shortages there is an alarming shortage of teachers. Fortunately, Teachers' Colleges are reporting increased enrollment of prospective teachers of from 5 to 54% over 1954. Then, too, states are discovering a rich reservoir of talent among college graduates of yesteryear who because of marriage have not been available in the recent past. They are now accepting part and often full-time employment in schools.

Surely, businessmen agree that superior teachers have frequently been underpaid. Once we can find a method of distinguishing between the mediocre and the outstanding teacher—we should put the premium of increased pay upon the latter's performance.

But, granted that there are presently critical needs in the field of education, our question is **How Can We Best Meet Them?**

The full answer to that question without resorting to a policy of general Federal Aid—is available in four recent publications.

(1) "Federal Responsibility in the Field of Education." A 150 page booklet available through the Superintendent of Documents. U. S. Government Printing Office.

(2) "Federal Aid to Education—Boon or Bane." A 50 page booklet by Roger Freeman. Available through the American Enterprise Association—Washington, D. C.

(3) "The Report of the Commission on Intergovernmental Relations." A very brief summary statement available through the U. S. Government Printing Office.

(4) The 48 state reports to the White House Conference.

Statements Against Federal Aid

The case against general Federal Aid to Education is most simply presented under these four statements—three of them essentially economic — the last one sociological.

The States are better able financially to meet their own edu-

Continued on page 87

*Summary of an address by Dr. Bennion at the 60th Congress of American Industry sponsored by the National Association of Manufacturers, New York City,

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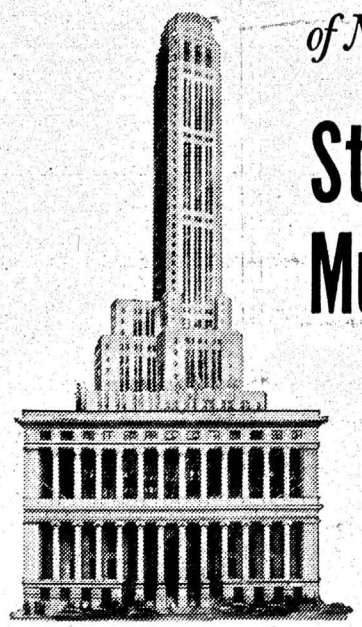

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Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Such were the 1955 trends in interest rates and in the shifts of the New York City bank stocks from investments—principally United States Government obligations—to loans, that one would have had difficulty predicting anything but a substantial increase in operating earnings for the year. Following are the per share operating earnings figures, compared with 1954:

	1954	1955
Bankers Trust	$4.24	$4.73
Bank of New York	16.62	19.16
Chase Manhattan	3.26	3.53
Chemical Corn Exchange	3.18	3.62
Empire Trust	12.23	14.71
First National City	3.38	4.25
Guaranty Trust	4.30	4.87
Hanover Bank	3.37	3.88
Irving Trust	1.80	2.20
Manufacturers Trust	2.94	3.22
J. P. Morgan & Co.	16.01	21.67
New York Trust	4.68	4.90
United States Trust	4.41	4.49

Adjustments have been made for stock dividends and splits; and in the cases of merged banks, the data are on a *pro forma* basis, except in the case of First National City Bank, that consolidation being a pay-off so far as the First National holder was concerned.

This column had predicted an increase of 10% to 12% in earnings from operations. Whether percentage gains over 1954 are averaged (a not strictly mathematically accurate means of measuring) or whether total dollar figures are used, the increase is one of slightly over 14%. This is one of the largest operating earnings gains by the New York City banks in years; and for most, if not all of them, the earnings establish an all-time high. First National City earnings figures for the two years are not comparable, as in 1954 City did not have the use of First National Bank's deposits, while for three-quarters of 1955 they did. However, this would not materially change the 14%-plus gain figure.

This percentage gain is translated into a total dollar gain of over $25,500,000, bringing the net of the 13 leading New York City banks to $202,400,000 for 1955. To be sure, the banks in all but one case had losses in their securities operations. These, however, were in no sense anywhere nearly as large as the profits from this end of the business in 1954. J. P. Morgan, for example, reported a loss of $966,000 in 1955, versus a profit of just about double that sum in 1954; First National City a 1955 loss of $1,596,000, and a 1954 profit of $7,313,000; Guaranty, —$1,707,000, versus +$10,169,000; Chemical Corn —$1,295,000, versus +$2,157,000; Chase —$8,784,000 versus +$16,520,000. And the 1955 losses have substantial offsets in the form of tax savings. Not only that, but the sales of investments enabled the banks to put the funds to work more profitably in loans, where the rate of return runs some 70% higher than it does in investments.

Another facet of the better earnings showing is the more favorable price: earnings ratios at which these bank stocks are selling compared with that relationship at the end of 1954. The following schedule shows this for the two year-end dates:

	Price: Earnings Ratio 12/31/54	12/31/55
Bankers Trust	14.7%	13.8%
Bank of New York	13.2	12.9
Chase Manhattan	15.1	14.7
Chemical Corn Exchange	15.1	13.5
Empire Trust	13.3	12.0
First National City	16.4	15.1
Guaranty Trust	17.6	16.6
Hanover Bank	14.4	13.1
Irving Trust	16.8	14.4
Manufacturers Trust	13.8	13.3
J. P. Morgan & Co.	17.0	14.4
New York Trust	15.0	14.7
United States Trust	14.4	15.3

The adjustments mentioned below the other tabulation are reflected here.

In other words, despite the markedly better earnings, the stocks, on an earnings basis, are better values in the market today than they were a year ago.

Boston Inv. Club to Hear Lucien O. Hooper

L. O. Hooper

BOSTON, Mass. — Lucien O. Hooper, chief analyst for W. E. Hutton & Co., will be the speaker at the meeting of the Boston Investment Club to be held Monday, Jan. 23 at the Boston Yacht Club, Rowe's Wharf. Mr. Hooper's talk is entitled "What Shall We Do Now."

REPORT OF CONDITION OF

Colonial Trust Company

of New York 20, N. Y., a member of the Federal Reserve System, at the close of business on December 31, 1955, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York and the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS

Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$20,264,308.03
United States Government obligations, direct and guaranteed	20,016,720.21
Obligations of States and political subdivisions	1,799,658.20
Other bonds, notes, and debentures	1,599,143.07
Federal Reserve Bank stock	114,000.00
Loans and discounts (including $3,154.95 overdrafts)	29,959,663.92
Banking premises owned, $150,370.36, furniture and fixtures $196,227.79	346,598.15
Customers' liability to this institution on acceptances outstanding	142,532.31
Other assets	368,215.01
TOTAL ASSETS	$74,610,838.90

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$50,114,664.87
Time deposits of individuals, partnerships, and corporations	1,810,163.41
Deposits of United States Government	504,053.12
Deposits of States and political subdivisions	1,948,000.00
Deposits of banking institutions	11,916,675.33
Other deposits (certified and officers' checks, etc.)	2,229,200.85
TOTAL DEPOSITS	$68,522,757.58
Acceptances executed by or for account of this institution and outstanding	202,599.46
Other liabilities	373,714.63
TOTAL LIABILITIES	$69,099,071.67

CAPITAL ACCOUNTS

Capital †	$2,600,000.00
Surplus fund	2,300,000.00
Undivided profits	524,883.23
Reserves (and retirement account for preferred capital)	86,884.00
TOTAL CAPITAL ACCOUNTS	$5,511,767.23
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$74,610,838.90

†This institution's capital consists of $1,100,000.00 of capital notes and debentures; and common stock with total par value of $1,500,000.00

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$2,015,722.44

I, Frank A. Hayes, Asst. Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

FRANK A. HAYES.

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OUR YEAR-END
COMPARISON & ANALYSIS of

16 New York City Bank Stocks

Will be sent on request

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British Automobile Recession A Lesson to America

By PAUL EINZIG

Unanticipated auto production decline held most important cause of recent London stock market setback by noted British economist. Dr. Einzig traces impact and visualizes a causal-effect lesson for even the United States. Insists automation necessary to improve Britain's international competitive position; a greater unemployment threat than automation job loss during a recession.

LONDON, Eng.—The second week of January witnessed a sharp setback on the London Stock Exchange. The hostile campaign of criticism against the Government may have had something to do with it, but by far the most important cause was the realization that all is not well in the automobile industry. In Britain as in other countries, that industry increased its capacity to an excessive degree. Import restriction in Australia, but especially the decline in domestic demand due to the credit squeeze, the instalment credit restrictions, and the increase in purchase tax rates, was bound to make this fact evident. The decision of the Austin Motor Works to put some 18,000 employees on a four-day week gave rise to a wave of pessimism about business prospects in general. Hence fall in equities and the sympathetic if not very logical fall in Government loans.

Paul Einzig

People do not derive much comfort from the evidence of continued consumer demand and of scarcity of labor in most industries. Beyond doubt, the amount of overtime worked has declined lately, though many firms have to keep it up, in spite of a decline in current orders, in order to carry out existing contracts. But the decision of Standard Motors to refuse point blank the latest wages demand, indicating a willingness to face a strike rather than agree to a further increase in the cost of production, is regarded as symptomatic. Whatever may be the industrial situation in general, there can be little doubt that the motor industry is experiencing a recession.

The Austin Motor Works, which is leading the way in the cut in the output, is one of the most up to date factories in Britain. At a conference on automation of the British Institution of Production Engineers last summer, Mr. H. J. Graves, one of the executives of that firm, stated that, largely as a result of the installation of automatic transfer machines, his motor works increased the weekly output from 3,500 to 5,000 vehicles. It is to be feared that this experience, in which automation was followed by a reduction of the working week, will greatly strengthen trade union resistance to automation. Until now, amidst the inflationary boom-like conditions prevailing in Britain, automation simply meant an increase in the output without a corresponding increase in manpower. There have been very few redundancy dismissals or even cuts in overtime. Notwithstanding technological improvement, the industry was barely able to meet the full demand, and labor remained scarce.

Automation Discussed

The progress of automation at the Austin Works has not been the real cause of the present setback. The view that has been gaining ground in Britain, that automation need not give rise to unemployment, is still valid. But the experience of the Austin Works seems to indicate that, the moment a recession sets in for no matter what reason, a previous increase in productive capacity through automation is liable to lead to a curtailment of employment. In the instance in question, it seems reasonable to assume that, had the capacity of the Austin Works remained at 3,500 vehicles a week, it would have been possible to keep the staff fully employed. Since, however, the capacity is now 5,000 vehicles, and there is no demand for such numbers, employment has been reduced in the form of working a shorter week.

At first sight this experience may appear to lead to the conclusion that automation is against the interests of the industrial workers. If we take a longer view, however, we reach a different conclusion. For the fact that it has now become possible to produce 3,500 vehicles in a four-day week means that the cost per unit is lower than it was before the automation of the Motor Works, in spite of the increases of wages granted in the meantime. This means that the firm stands a better chance of regaining its markets at home and abroad than it would have stood if it were still working on the basis of its higher pre-automation costs. But for its technological progress, it might have become necessary to reduce employment even more, for even 3,500 vehicles a week would have been in excess of demand.

To the highly controversial question whether or not automation makes for deflation, there can be no simple answer of "yes" or "no." It depends on the general conditions prevailing while automation is in progress. So long as boom-like conditions prevail, automation is liable to be inflationary rather than deflationary. There is no inducement for producers to cut their prices, and there is no need for them to reduce the number of their employees. In spite of the increase of the output in man-hours, the grand total of their production cost increases because the increase in the volume of the output, and the higher wages more than offsets the decline of the number of man-hours per unit.

Amidst conditions of recession, however, automation is distinctly deflationary. It enables the producers to reduce employment while maintaining the volume of output at a reasonably high level. If necessary they can cut prices. And there is a tendency to deflation owing to the lower spending power of the workers.

Does the British experience teach the lesson that, in such circumstances, automation should be resisted? By no means. For if Britain alone does not swim with the tide, her exporters will be unable to compete with their more progressive rivals. The resulting loss of foreign markets would reduce employment to a larger extent than it would be reduced, even in a recession, as a result of automation.

What is more essential than ever is to try to avoid recession. The main reason why it became necessary in Britain in 1955 to curtail consumer demand was that, owing to excessive wages claims, domestic consumption increased too much, and this reacted unfavorably on the balance of payments. Had the workers been more moderate in their wages claims, there would have been no need for restrictions on instalment credits, for credit squeeze, and for an increase of purchase tax. The Austin Works could have continued to sell 5,000 vehicles a week, and the full working week could have been maintained in spite of the increase of productive capacity through automation.

This is a lesson which is well worth remembering. It is not confined to Britain, although the United States has no balance of payments problem, an acceleration of inflation through excessive wages claim would induce the Administration and the Federal Reserve authorities to adopt disinflationary measures. This entails the risk of curtailment of production, and the existence of new labor-saving installations would make it possible for employers to reduce their staffs—unless they are prevented by annual wages agreements. In the United States as in Britain, excessive wages demands are liable to bring out the unfavorable effect of automation.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Not even the tremendous interest in buying Ford Motor shares this week could lift the stock market out of its current doldrums, and the list generally lolled around in what could best be described as an aimless, consolidation phase. The combination of the huge over-demand for Ford stock and the optimistic plans of General Motors to sink another billion dollars into expansion did serve to stop, at least temporarily, the rather persistent downdrift by the listed auto shares, during which American Motors sank to a new low.

The Ford Price Tag

The Ford shares themselves were given a rather cautious eyeing by the various market analysts. The price tag of $64.50 was right in line with expectations, almost in the middle of the $60-$70 bracket discussed ever since the first prospectus was filed revealing the intimate financial secrets of the last of the nation's huge family-owned enterprises. It prompted a bit of buying in General Motors which currently has a price around $20 under that of Ford.

Erratic Metals

Metals had an erratic time of it, standing out prominently one day on weakness and the next on above-average demand. For a change, the coppers and steels swayed in tune after a long period of independent action by the red metal shares. Steels were highly regarded both for the good yields they offer and for prospects of continued high level business through this year even in the face of a fall-off in the auto business. It didn't hurt that the industry also is planning a billion dollar expansion to add another 15,000,000 tons to capacity in three years, the clearcut implication being that the steel makers are confident of finding plenty of buyers for it.

Wheeling Steel, particularly, was favored by a good share of market students since it is in the 6% yield bracket, a rather exclusive level these days for quality issues. Wheeling also has the benefit of being one of the issues available well below book value and, moreover, is expected to report a jump in profits of around 50% for 1955.

National Distillers Waking Up

Among the issues that have been dormant for long with some recent signs of stirring is National Distillers. For several years now the stiff price competition in the liquor business has kept all the profit figures on the dour side and National, in addition, has had its share of disappointments in its big position in the chemical industry. But National's diversification is now seen at the turning point and at least one estimate is that the chemical lines will contribute as much as $12,000,000 to profit this year. By the way, at the low point in the company's postwar troubles, 1952, when National had to cut its dividend, the total earnings were only $19,000,000.

Washington Beneficiaries

Considerable attention was being paid to the natural gas issues on hopes that Congress will act to lighten the Federal Power Commission's price controls over interstate dealings. Phillips Petroleum, around which the first test case centered, would be one of the important beneficiaries of any change in the legislation. Others that had their backers on the same hopes included Cities Service, Panhandle Eastern Pipe Line, Pure Oil and Shamrock Oil.

A prime beneficiary of another Washington proposal that so far has chosen to ignore it all is American Seating. This important maker of school equipment would obviously benefit from any government attempt to spur school building with Federal Funds. The stock has held in a range of a mere eight points for better than a year, despite the fact that one way or the other, the nation's schools must be increased vastly despite the heavy construction already carried out or under way. Another company that will also benefit is Brunswick-Balke which has had only a slightly wider range than American throughout all of last year's bull market.

A Rail Split Candidate

Rails have had little to cheer about except in isolated cases like Nickel Plate where a split and higher payment are due. The market has fully reflected this inattention. But the railway equipment firms have started to show the benefits that will accrue from the heavy rail car purchase programs with Westinghouse Air Brake given a good bit of the attention being paid this group. In addition to rail signal equipment and brakes, the firm also is an important maker of highway building equipment where any expanded road building programs will make themselves felt importantly. The firm also has an electronics division.

New Diversifier

Fresh interest centered on Cluett, Peabody & Co. as a result of a new development somewhat foreign to this maker of shirts, ties and, lately, men's suits. The development is a stretchable paper on which the company owns the patents, although it was so foreign to its operations that the actual trial production had to be turned over to West Virginia Pulp. First applications are thought to be in the packaging field. Cluett has the added attractiveness of a recent acquisition of a prominent men's clothing maker and distributor to put it in the ranks of firms that have been busily diversifying. The stock only recently broke out on the topside of a 10-point range in which it held all of last year.

Air conditioning shares have had little following ever since the price competition last summer made high profits scarce. But some of them have been perking up somewhat, including Fedders Quigan after the company reported that its backlog of units was at the highest level in its history. A corollary interest was stirred in General Cable by the optimistic forecasts for air conditioning units and the fact that much old home and apartment house wiring is inadequate for the heavy loads of modern appliances. The campaign for "adequate" wiring that the electrical industry will launch in February could also stir up interest in General Cable which has been showing improved earnings in recent years with last year expected to be one of its best ever.

A Bullish Spin-Off

The proposed "spin-off" of S. Klein Department Stores by Grayson-Robinson Stores kindled some activity with the consensus of market opinion that Grayson has yet marketwise to reach the level at which the two issues would be still in line with basic values.

[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.]

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Steel Industry Planning Wide Expansion

By BENJAMIN F. FAIRLESS*
President of American Iron and Steel Institute
Chairman of Executive Advisory Committee,
U. S. Steel Corporation

Industry leader reveals iron and steel companies intend to add another 15 million tons to capacity within three years, and to spend $1.2 billion in 1956 alone. Mr. Fairless declares steel's greatest problem, in view of its below-average profits, is to get the money for the enormous cost of the further expansion that the country expects.

A survey just completed by American Iron and Steel Institute shows that iron and steel companies plan to add another 15 million tons to the nation's steelmaking capacity within the next three years, with more to come.

Benjamin F. Fairless

This increase, already under way, is at the rate of about 5 million tons a year, and represents a sharp stepping up of the industry's expansion over the past 10 years which was at the rate of about 3½ million tons annually.

Since the end of World War II, the steelmaking capacity of the industry has been expanded by 36 million tons, or 40%, to a total of 128 million tons today. The additions planned would bring the total to 143 million tons.

Called for by Rising Standards of Living

The need for this great expansion is apparent in the rapidly growing population of our country, in the rising standards of living and in the generally expanding economy.

The total cost of the steel expansion and modernization since the end of World War II has been more than $7 billion.

Billions of dollars more must be spent for the new expansion over the next three years. In 1956 alone, steel companies plan to spend $1.2 billion.

Various complex factors affecting costs make exact estimates difficult for the current and coming expansion.

First is the generally rising price level. This has special impact in the steel industry, because steel mills must buy materials in hundreds of categories, and need labor in practically every classification of skill.

Another factor in costs is the variation in circumstance that each company faces as it determines for itself how to secure expanded production most economically.

Where existing plants are already fully developed, additional capacity must be built from the ground up at a cost of more than $300 per ton, compared with $50 25 years ago.

In other cases, where additions can be made to existing plants, the cost of expansion will be relatively lower.

The new expansion will involve great engineering, industrial, and financial problems. Companies must again seek new sources of ores, open additional new mines and construct new taconite processing facilities. New sources of raw materials necessitate construction of new railroads and ships. This is in addition to construction of new blast furnaces, steelmaking furnaces, rolling mills and other finishing equipment. Every cost that must be incurred in expansion has increased greatly in recent years.

Long-Term Expansion Needed

There is every expectation that a continuing large rate of expansion will be required for many years to come because of the astonishing rise in America's population and because each American is using more things made of steel than ever before. Moreover, the steel industry must do its share in helping to maintain our nation's strength in defense.

The population of the United States was 76 million in 1900. Now it is 166 million. By 1975, it is expected to be close to 200 million.

We have not only grown in numbers, but we want more things —more houses, more roads, more automobiles, more of everything which raises our standard of living. Steel is needed for all of these.

Of course, very few people buy steel outright in the form of hard metal. But everyone buys or uses steel every day in the form of thousands of products — from kitchen knife to skyscraper. During this century, the per capita use of steel has increased fivefold. And, in the United States today, we require about three tons of steelmaking capacity for every family of four.

As a result of all these developments, America already is in the midst of a period of vast industrial expansion.

Furthermore, science is bringing in a new age of nuclear energy, electronics and supersonic speed.

Steel is the basic material needed for all this growth. This is because steel is the most versatile and also the lowest priced of all the metals. It sells for an average price of less than 7 cents a pound. And the individual steel companies, competing with each other, can be counted upon to keep pace with the requirements for their products.

Looking back over the last 25 years, we see that workers in the steel industry have constantly benefited from the industry's great growth.

Wage-Earner Prosperity

The wages of steelworkers today place them among the top 10% of all workers in this country, and they enjoy substantial pensions, insurance and other benefits. They are safer at work than at home. Working conditions are good.

As the steel companies go forward with their great expansion, thousands of new jobs will open up—in the steel industry itself and in industries which use steel or supply the materials and services the steel industry uses.

The steel companies recognize their obligation to provide our country with all the steel it will need over the years. But the growing demands for steel and the problem of financing new capacity make the job they have to do bigger than anything they have faced before.

Below-Average Profits

Over the years, the profits of steel companies have been below the average for other leading industries. And because permissible depreciation allowances under the tax laws are inadequate to meet rising construction costs, steel companies are constantly being forced to use profits just to keep their present plants intact. This reduces the amount available from profits to help pay for expansion.

Beyond that, the staggering sums which must be raised by the companies to meet the enormous cost of further expansion can come from two sources only: directly from the remaining profits of the steel companies, and from the savings of investors who have confidence in the ability of the companies to earn profits that are attractive to investors.

So steel's greatest problem today, as I see it, is to get the money required to carry the expansion that the country expects.

*A statement by Mr. Fairless at a news conference, New York City, Jan. 16, 1956.

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Shareholders of **Chemical Corn Exchange Bank, of New York,** at their 132nd annual meeting on Jan. 17, authorized 590,425 additional shares of capital stock, $10 par value. Subject to determination by directors of the time and price, the shareholders will receive rights to subscribe to the additional stock on the basis of one new share for each eight present shares held. The offering, which is to be underwritten by a group of investment bankers, will increase the bank's outstanding capital stock from 4,723,400 to 5,313,825 shares. In discussing the financing program, Harold H. Helm, President, told the shareholders that an accelerated growth of the bank's business since the 1954 merger with Corn Exchange Bank Trust Company had prompted the raising of additional capital. This financing, he said, is expected to add more than $25 million to Chemical Bank's capital funds. According to Mr. Helm "capital funds amounted to $197 million at the year-end. The proposed capital increase should immediately raise them to approximately $222 million."

* * *

The Board of Directors of **The First National City Bank of New York,** at a meeting on Jan. 17, appointed Daniel G. Amend an Assistant Cashier. Mr. Amend is assigned to the bank's Domestic Division.

* * *

City Bank Farmers Trust Company, of New York announces the appointment of Henry W. Whitney as a Trust Officer. Mr. Whitney was formerly an Assistant Trust Officer associated with the Real Estate and Mortgage Department.

* * *

Irving Trust Company of New York, announces the promotion of John J. McSorley and Lester F. Grieb from Assistant Vice-President to Vice-President. Mr. McSorley who has been with the Irving since 1931, is associated with the bank's domestic banking division and will head up the district comprising a number of North Central and East Central States. Mr. Grieb, who joined the Irving organization in 1955 is also associated with this district in the domestic banking division. Sidney W. Coe, Vice-President, formerly in charge of the district covering these states will take over the district servicing accounts in New York City.

* * *

The appointment of John A. Wilson as an Assistant Vice-President of **Manufacturers Trust Company of New York,** is announced by Horace C. Flanigan, President. Mr. Wilson began his banking career in 1926 as a credit investigator with the **United Capital National Bank & Trust Co.,** which merged with Manufacturers Trust in 1928. Mr. Wilson advanced through the positions of Assistant Branch Manager, Branch Manager, and in 1945 was appointed an Assistant Secretary. At present, Mr. Wilson is assigned to the Brooklyn Division of the bank's Branch Administration Department located in the Flatbush Office, Brooklyn.

President Flanigan has also announced the appointment of Howard R. Stengel as an Assistant Trust Officer of Manufacturers Trust Company. Prior to joining Manufacturers Trust in 1952, Mr. Stengel was affiliated with the Borden Company for 21 years in the development of retirement procedures and the administration of employee pension and welfare plans. At present, Mr. Stengel is a Pension Consultant in the Manufacturer's Personal Trust Department, 45 Beaver Street.

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	Dec. 31,'55	Dec. 31,'54
Total resources	$100,227,457	$78,984,062
Deposits	90,581,972	71,431,204
Cash and due from banks	22,044,060	16,435,225
U. S. Govt. security holdings	29,466,413	19,225,876
Loans & discounts	52,873,356	41,673,039
Undivided profits	1,739,234	1,226,000

* * *

COLONIAL TRUST COMPANY, N. Y.

	Dec. 31,'55	Dec. 31,'54
Total resources	$74,610,839	$65,318,635
Deposits	68,522,758	60,851,082
Cash and due from banks	20,264,308	16,634,687
U. S. Govt. security holdings	20,016,720	18,152,095
Loans & discounts	29,959,664	25,684,359
Undivided profits	524,883	90,392

* * *

Thomas J. Shanahan, President of **Federation Bank and Trust Company of New York,** announced that at a meeting on Jan. 10, the directors approved the following promotions and new appointments in the official family: J. Richard Finnegan, Assistant Vice-President, formerly Assistant Secretary; Richard C. Bellinger, Assistant Treasurer, formerly Assistant Auditor; Charles A. McMahon, Assistant Treasurer and Edward F. Breslin, Jr. and Charles A. Postler, Assistant Secretaries.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	Dec. 31,'55	Oct. 5, '55
Total resources	$3,518,140	$3,459,671
Deposits	721,772	503,740
Cash and due from banks	1,954,720	1,879,433
U. S. Govt. security holdings	431,315	431,321
Undivided profits	271,410	486,523

* * *

George O. Nodyne, President of **East River Savings Bank of New York,** announced on Jan. 12 the election of Henry Osborne Havemeyer, Jr., as a member of the Board of Trustees. Mr. Havemeyer is Vice-President of the Brooklyn Eastern District Terminal RR. and an inventor of various devices for the improvement of mechanical equipment.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	Dec. 31,'55	Dec. 31,'54
	$	$
Total resources	381,706,192	348,591,067
Deposits	347,981,301	321,643,600
Cash and due from banks	98,443,154	92,707,984
U. S. Govt. security holdings	76,277,663	81,142,218
Loans & discounts	152,051,214	128,496,233
Undivided profits	3,560,797	3,427,141

* * *

TRENTON TRUST COMPANY, TRENTON, NEW JERSEY

	Dec. 31,'55	Dec. 31,'54
Total resources	$72,356,452	$71,974,280
Deposits	66,519,529	66,190,179
Cash and due from banks	12,578,688	10,154,818
U. S. Govt. security holdings	18,057,318	20,178,155
Loans & discounts	24,848,080	22,516,663
Undivided profits	1,172,217	936,741

* * *

Arthur J. Martel has been elected Executive Vice-President of the **North Side Savings Bank of New York** and Donald Darcy has been elected Vice-President and Secretary to the Board, it was announced by C. William Borchers, the bank's President. Mr. Martel joined North Side Savings Bank in March, 1946 as Auditor, and was elected a Vice-President in July, 1952. He had previously been associated with New York Title & Mortgage Company, Manufacturers Trust Company and Dollar Savings Bank. He is 1st Vice-President of the Savings Banks Auditors and Comptrollers Forum of the State of New York. Mr. Darcy before joining North Side Savings Bank, served as Vice-President of Bronx County Trust Company, Assistant Vice-President of Chase Manhattan Bank, etc.

* * *

William W. Hibberd, has been elected an Assistant Vice-President of **The Marine Trust Company of Western New York,** according to an announcement made by Charles H. Diefendorf, President. Mr. Hibberd is associated with the New York Office of the Municipal Securities Department of the bank. He joined The Marine Trust Company in January of this year. With the exception of the past three years, when he was associated with C. J. Devine & Co. in New York, Mr. Hibberd was an Assistant Vice-President, in the Bond Division, of the Mercantile Trust Company of St. Louis, both in their home office and in charge of their New York operations.

* * *

Robert F. Adamson, Executive Vice-President and member of the board of directors of the **Citizens & Southern National Bank in Atlanta, Ga.,** was appointed to direct the bank's recently opened N. Y. Service Office, it was announced on Jan. 13, by Mills B. Lane, Jr., President. The opening of the New York office was referred to in our issue of Jan. 5, page 75. Mr. Adamson, it is announced, has spent 26 of his 30-year banking experience in Atlanta with the C & S in the fields of operations, trust, savings development and commercial lending. Before his election to Executive Vice-President in 1954, he was serving as senior lending officer. Mr. Adamson is past President of the Atlanta conference of the National Association of Bank Auditors and Comptrollers, former Secretary and member of the Operating Committee of the Atlanta Clearing House Association, and member of the Committee on Savings Management and operations of the American Bankers Association.

* * *

The election of John S. Tomajan, Chairman of the Board and President of The Washburn Co., as a Director of the **Worcester County Trust Company of Worcester, Mass.,** was announced by President Edward L. Clifford following the annual meeting of the stockholders. Mr. Tomajan is also a Director of the Industrial Mutual Insurance Co. of Boston and serves in a similar capacity on the boards of various civic, business and educational organizations. Mr. Tomajan succeeds to the vacancy on the bank's board caused by the death of the late Reginald Washburn, former head of the Washburn Co.

* * *

The directors of **Camden Trust Company of Camden, N. J.,** have declared a regular quarterly dividend of 25 cents per share and an extra dividend of 25 cents per share on the capital stock of $5 par value, both payable Jan. 3, to shareholders of record at the close of business Dec. 22, 1955.

* * *

At the stockholders' meeting of the **Broad Street Trust Company of Philadelphia** on Jan. 11, S. Richard Nusbaum was elected a director.

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Motor Vehicle Production And the Business Outlook

By HARLOW H. CURTICE*
President of General Motors

In opening the Motorama, Mr. Curtice expressed these expectations for 1956: (1) an industry production of 7,500,000 motor vehicles; (2) General Motors to invest another $1 billion; (3) corporation's physical sales to approach 1955 level of $12 billion; and (4) another record year of prosperity with a $400 billion Gross National Product. Looking ahead to 1965, Mr. Curtice anticipates: $550 billion Gross National Product; $400 billion Disposable Income; 190 million population, and the handling of 75% to 80% of the country's air transportation by prop-jet planes with the balance by jets. Makes a strong plea for highway improvement and more engineers and scientists.

The Motorama provides a dramatic setting for the public to preview the styling and engineering advances that form the solid foundation for General Motors' leadership. We attach great importance to it. It is our way of lifting the curtain on some of the forward developments being created in General Motors studios and laboratories.

1955 Reviewed

From the business and economic viewpoint, 1955 was a most outstanding year, and in my opinion *the* most outstanding, in the history of our country. The nation produced beyond its rated capacity, as evidenced by material shortages and substantial overtime. It was a year of virtually full employment, with an average of 66 million gainfully employed. Consumer disposable income was at a new high level, and consumer spending rose even more substantially. The cost of living remained remarkably stable.

Harlow H. Curtice

The construction industry bettered its amazing 1954 record, while capital expenditures by business not only showed an increase over 1954 but rose steadily throughout the year.

Gains in 1955 averaged twice the normal rate, resulting in a gross national product that reached an all-time high of an estimated $387 billion. This was 7% above the 1954 total.

In my opinion, the most important factor responsible for the economic results of 1955 was the extremely high degree of public confidence that prevailed. This was reflected in the high level of spending by consumers and also by business. The upward trend which began in September, 1954, continued at a rapid rate throughout 1955.

The automobile industry had a phenomenal year, demonstrating once again its amazing vitality and dynamic impact on national economic growth. One reason was the fact that the entire industry had come forward with the most outstanding products ever offered to customers. Another was that people had money and the confidence to spend it.

Role of Confidence

Public confidence is very difficult to appraise—particularly as it affects the spending habits of people. This was dramatically demonstrated in our industry last year. Even the most optimistic forecasts a year ago fell far short of the actual results. On March 4 I revised upward my January forecast in line with the trends then evident. However, this proved to be conservative, partly due to the fact that I did not anticipate—and no one could have anticipated—the extraordinary and unprecedented "bulge" in demand which caused a steady, contra-seasonal rise in new car sales from July through October.

Such a phenomenon never before had occurred in the history of our industry. It ran directly contrary to all previous experience with seasonal trends in automobile demand and accounted for consumer purchases in the area of 500,000 additional units.

To supply this extraordinary demand required continuous production at very high levels right up to the end of the 1955 model year. Production of the new 1956 lines was undertaken at a correspondingly high level. The result was the output in the United States and Canada of 9,643,000 cars and trucks—the largest unit production ever achieved by our great industry.

Auto Output

By utilizing its facilities to the fullest extent possible, General Motors was able to maintain its market leadership in 1955. Unit sales of cars and trucks produced in our United States and Canadian plants totaled 4,638,000 — 34% above 1954. This higher level of activity was reflected in all product lines, including household appliances, Diesel locomotives and Diesel engines. Dollar sales exceeded $12 billion, with earnings establishing an all-time record.

Dealers handling General Motors products shared importantly in the year's prosperity. Their profits were in keeping with the record sales in units and dollars and represented a very high return on capital invested. It was also a very prosperous year for our 21,000 suppliers of goods and services.

Prop-jet Engines

Nineteen fifty-five marked the rounding out of General Motors participation in all modes of transportation. We have long enjoyed a position of leadership in the older fields of highway, rail and marine transportation. We have also been an important producer of engines for military aircraft. In 1955 we entered the commercial aircraft field with the selection of Allison prop-jet engines to power the newest airplane designed specifically for commercial usage. This plane, the Lockheed Electra, has now been ordered by several leading airlines, including American and Eastern.

I consider this a most important milestone for General Motors and for the progress of aviation. The Allison prop-jet is the only engine of this type available to meet the airlines' need for faster, smoother, more efficient short and medium flight service. It is my belief that in 10 years prop-jet planes will be handling 75 to 80% of our country's air transport requirements, with full jets handling the balance.

Increased Shareholders

The year just concluded also marked the end of our historic five-year labor agreements and the signing of new three-year contracts with the unions representing most of our employees. A savings-stock purchase program was made available to all salaried employees in the United States to enable them to increase their participation in General Motors' progress.

Early in the year General Motors shareholders were given the opportunity to subscribe to additional shares of common stock representing $325 million of new capital. In September our stock was split three for one.

These two actions resulted in an unprecedented increase in the General Motors shareholder family to a record 565,000. The addition of 77,000 new shareholders during 1955 represented more growth than had occurred in the entire preceding 13 years.

An expanded program of financial aid to higher education was announced just a year ago. It has received the enthusiastic endorsement of the Presidents of leading colleges and universities. When it is in full operation in 1958, 1,400 students will be receiving four-year scholarships sponsored by General Motors. At that time General Motors' total financial support to higher education will amount to $5 million annually.

In reviewing the year 1955, our two appearances in Washington before Senatorial subcommittees should not go unmentioned. In both instances, we made presentations that were factual and to the point. I am satisfied that the record speaks for itself.

Outlook for 1956

Looking forward, it is my opinion that 1956 will be another record year for business generally.

There is every prospect of a further rise in the gross national product to another new high this year. However, present indications are that the rate of increase will be less than that experienced in 1955. It would seem reasonable to expect an increase of about 4%, which would mean a gross national product for 1956 in excess of $400 billion.

Nineteen fifty-six will be another big year in the automobile industry—far better than even the most optimistic were able to forecast for 1955. However, I do not foresee any contra-seasonal bulge in demand similar to that which we experienced in the last half of 1955. But, by any yardstick, 1956 should be another very outstanding year for the industry.

What are the factors that should make 1956 an outstanding year not only for the automobile industry but for the entire economy?

A fundamental factor, of course, is the favorable economic climate in which industry is now able to operate, due to the outstanding leadership of the Eisenhower Administration. That leadership has produced widespread public confidence not only in this nation but throughout the free world. The importance of public confidence cannot be over-emphasized.

There is every indication that full employment will continue in 1956.

As a result, personal income will rise, and disposable income will reach a new high level. This may be raised still further through lower taxes. With confidence prevailing, personal consumption expenditures will continue to increase from the current high level.

It has been demonstrated conclusively that the prosperity and progress of the nation are *not* dependent on war or a peak level of defense expenditures. However, it appears quite certain that defense expenditures will be somewhat higher in 1956.

Other Government expenditures —Federal, State and local—can also be expected to increase somewhat from present levels.

The construction industry has set new records in each of the last three years, and this upward trend should continue in 1956. Housing starts should exceed 1,200,000 units. More non-residential structures, including industrial and commercial buildings as well as schools and other public improvements, will be built.

Reports indicate that highway

Continued on page 127

*An address by Mr. Curtice at the GM Motorama of 1956 Luncheon for Business Leaders, New York City, Jan. 16, 1956.

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Canada's Continued Growth Seen in Economic Unity

By JAMES MUIR*

Chairman and President,
Royal Bank of Canada

Prominent Canadian Banker finds unity in diversity an economic growth source. Mr. Muir notes the highest bank rate since 1935, and that inflation aided exporters by lowering dollar par value. Varieties of credit overexpansion expected to diminish shortly due to reliance on wise central banking and its use of "moral suasion" instead of mechanical devices. Requests increased secondary reserves, control of non-bank credit, and questions dependability of automatic principle in fiscal policy. U. S. criticized for disguised lend-lease of soft current acceptance for agricultural surpluses. Expects increased imports from U. K. at expense of other imports.

A year ago, I referred to 1955 as a "Year of Decision"—a year, that is, in which it is necessary to make a variety of policy decisions which are especially charged with importance for the future of our country.

James Muir

I propose first to discuss some of the policy desions actually made during the year and to evaluate, as well as I can, their probable effect; second, to point out some of the problems confronting us in 1956 and to suggest ways of meeting them; and finally, third, to single out for special attention one problem of paramount importance for the future: the problem of achieving, and maintaining, Canada's economic unity.

*An address by Mr. Muir at the 87th Annual Meeting of Shareholders of the Royal Bank of Canada, Montreal, Quebec, Jan. 12, 1956.

I

"Year of Decision" Decisions

Last year I suggested certain criteria by which right policy might be judged. At that time I said:

"Within an overall climate of political and economic freedom, our policy decisions in government and business during 1955 should take due account of four interdependent goals of an economic policy directed towards the economic welfare of the community. The first of these is to ensure that our human resources are not wasted in involuntary idleness; that is, we should try to maintain a high and stable level of business activity and employment. The second goal is to ensure that our resources, when fully employed, are allocated in such a way as to produce the maximum volume of goods and services and to bring these goods and services to market in the proportions in which consumers want them. The third goal is to ensure that the distribution of the national product and income combines equity with the highest possible incentive to increase the total amount of product to be shared. The fourth and final goal is to ensure that all our policy decisions are consistent with an appropriate rate of economic progress and growth in the economy as a whole."

Since then some major decisions have been made. I should like now to discuss the most important of these especially as they bear on the pursuit or achievement of the four goals of policy and hence upon the economic welfare of the Canadian community.

Business Activity and Employment

The year 1955 presented our monetary and fiscal authorities with a real test of their power to ensure a high and stable level of business activity and employment. The year began with an overhang of unemployment and slack trade from 1954. It was a time when, as I pointed out last year, "it is still unsafe to pronounce inflation entirely cured and still less so to assume that the paramount danger of the moment is the galloping deflation of the early 1930's." To meet this challenge we had the greatly improved fiscal devices now available to Ministers of Finance and Treasury Departments throughout the Western World; and we had the Bank of Canada which had recently added to its stock of standard central-bank tools important new devices supplied by the 1954 revision of the Bank Act and Bank of Canada Act. Moreover, both the old and the new tools were presumably capable of greater efficiency because of the favourable environment provided by the recently organized money market.

Nevertheless, none of these improvements in monetary and fiscal policy devices is a guarantee of stability. We know what devices to use to induce expansion or contraction but we do not always know when or how much to use them in order to achieve our purpose without going too far in the other direction. In the light of events since early 1955, it may be appropriate to repeat the basic questions I asked then. They are:

"When should a dose of expansionist medicine be administered? Have we perhaps reached a turning point where natural economic forces are sufficient to effect a cure? If not, how big a dose of our essentially preventive medicine should we give in order to restore health without upsetting the balance of nature?"

Apparently our monetary and fiscal authorities decided that the turning point had not come by early 1955 and that further positive action was needed. Accordingly the bank rate was reduced from 2% to 1½% in February 1955, at a time when other central banks throughout the world were either raising their rates or standing pat. Moreover, at 1½% our bank rate was the lowest charged by any central bank. This was an indication of an easy-money policy that went far beyond the modest direct effect of a low bank rate. In addition to increased cash from traditional sources, available bank cash had been increased by the drop in the cash-reserve ratio from the former conventional 10% to the new statutory 8% average. The view that further positive action was needed apparently still prevailed when the budget was brought down on April 5th. Tax reductions, notably on personal income, were expected to result in a small deficit for the fiscal year 1955/56.

It soon became evident that business activity and employment were on the upswing, and indeed, by late spring, there were indications that the momentum was, if anything, too great for comfort.

In August the bank rate was increased from 1½ to 2%, in September from 2 to 2¼%, and again in November from 2¼ to 2¾%. Not since the Bank of Canada opened for business in 1935 has the bank rate been so high, and the three changes of rate in as many months is unprecedented as well. This, of course, was a signal for a complete reversal of the easy-money policy of the first half of the year, and the squeeze on credit continues, with the Bank of Canada using all the tools and techniques that a central bank can command.

It is too soon to judge the effectiveness of the new deflationary policy; but, looking back over the year it would seem that the early part at least provided a demonstration of the efficacy of monetary and fiscal policy in combating deflation and unemployment. However, we must remember, first, that inflation was already considered a threat in other countries as early as January 1955, when the U. K. raised her bank rate, and presumably these inflationary forces were bound to affect Canada sooner or later; second, that the most significant tax reduction, that on personal incomes, did not become effective until July 1, 1955, by which time inflationary forces in Canada were already strong.

Nevertheless, the upswing was undoubtedly abetted by our own monetary and fiscal policy. It is possible indeed that easy money, which induced ready lending by banks, had ceased to be beneficial and had begun to have inflationary effects by the end of the second quarter of the year. Again, I must underline what I said at the beginning: in maintaining stability at a high level of employment, through monetary and fiscal policy, the important thing is not the "what?" but the "when?" and the "how much?"

In all the excitement over the switch to deficit financing, one extremely important decision in the realm of fiscal policy went almost unnoticed by the general public. This decision is all the more important because, unless or until reversed, it will presumably determine the over-all pattern of Federal budgeting for years to come.

In his budget speech of April 5, 1955, the Minister of Finance said:

"I propose to recommend to the House a tax policy and a tax structure that would produce a balanced budget under conditions which represent a high level of output and employment."

Now a high level of output and employment is reflected in the figure that measures the gross value of our national production over the year. The new tax policy and tax structure referred to by

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the Minister of Finance is geared to this gross national product in such a way that if in any year the product falls below a certain ideal level, there will be an automatic budget deficit. If the national product rises above this level, there will be an automatic surplus. And the ideal level of gross national product is apparently defined as the level that would have obtained had employment and the rate of growth of the economy been "normal" every year since the base year 1953.

For example, in estimating what the gross national product for 1955 should be, the Minister began with the $24.4 billion product achieved in 1953, "a good year," added what he considered a warranted rate of growth for 1954, making the "ideal" product for that year $25 billion instead of the $24 billion actually achieved, and ended with an ideal estimated figure of $26 billion for 1955 instead of the estimated actual product of $25¼ billion. Tax rates were then levied so as to balance the budget on a $26 billion gross national product; and, since the estimated actual product was only $25¼ billion, this meant a deficit which was in fact, estimated at $160 million.

It may be open to question whether this kind of built-in stabilizer will prove sufficiently strong to produce the desired effect. We may have to consider the desirability of planned surpluses or deficits in excess of automatic surpluses or deficits caused by swings in the community's money income above or below some ideal level. In other words, what we might call the new automatic principle in fiscal policy may prove too passive to meet the crises that lie ahead. It may well be that the automatic principle was adopted as a device to ensure that fiscal policy would at least not make things worse: that it would at least be a neutral factor in the short run. Meanwhile, monetary policy with its greatly superior flexibility could be relied upon to take care of short swings in business activity and employment, leaving longer run problems of economic development and growth to the necessarily slower adjustments through annual revisions of the budget. In any case, the decision to adopt this particular theory of fiscal management is a most important one. The theory is already receiving a trial run in practice; and it is to be hoped that experts and laymen alike will give it both the serious consideration and the full discussion that its importance deserves.

I believe we should also consider the effectiveness and desirability of our various techniques of monetary policy. While the Department of Finance moves towards more automatic devices, there is some evidence that central-bank policy is moving towards greater discretion through the increased use of "moral suasion" as opposed to the more mechanical devices provided by statute. This would appear to be all the more remarkable in view of the greater statutory powers conferred by the Bank Act revision of 1954 and by the greater room for maneuver provided by the development of the new money market. During periods of inflationary pressure, the Bank of Canada has in the past applied selective credit controls designed to curb the most inflationary type of lending, with the least possible disturbance of essential loans at short term required to move goods and bring them to market. For example, the ban on term loans and purchases of corporate securities—imposed in February, 1948, and lifted in February, 1949, reimposed in February, 1951, and lifted in May, 1952—was in November, 1955, once more imposed by the Bank. I shall refer to these and similar types of credit expansion later in my remarks. But what I have particularly in mind is a different kind of nonstatutory requirement; that is, the requirement by the Bank of Canada that a second line of reserves in Treasury Bills and day-to-day loans be established by the chartered banks sufficient, with existing statutory cash reserves of 8%, to bring these first and second line reserves to a total of 15% by May, 1956. Again, it would appear, an important decision has been made. In this, as in my comments on fiscal policy, I speak not as an advocate but merely as one who would like to see the widest interest and the fullest and freest discussion of matters which are of paramount importance to the economic welfare of the country.

Other decisions of greater or less moment have been taken during 1955 affecting the allocation of economic resources, the distribution of income, and our national economic growth. I believe one can safely infer from government action that, in spite of defections abroad, Canada will continue to support the principles laid down by the General Agreement on Tariffs and Trade.

If we in Canada were to accept in principle Sir Anthony Eden's suggestion that it would be desirable to divert, say, 8% of our imports from elsewhere to the U. K., I believe our policy would and should be that this be done by a process of educating the Canadian consumer through a marked improvement in selling and service by U. K. exporters, and not by some quantitative device such as discriminatory import restrictions designed to divert trade to the sterling area.

Meanwhile exchange restrictions persist abroad not only, or even perhaps chiefly, because of exchange difficulty but because of their protective effect for certain vested interests that have grown up behind the "exchange-control curtain." The United States, with no exchange controls, has nevertheless sought to bolster her own agricultural price-support programs with tariff and quota restrictions directed, inevitably, largely against us. In addition, the United States has adopted what might be called "disguised lend-lease": accepting soft inconvertible currencies in order to dispose of her wheat surplus. All these developments, along with continued pressures from domestic manufacturers for protection, must have subjected the government to severe temptation to do just a little discreet back-sliding towards a less liberal trading policy. Nevertheless, I hold, as I have in previous years, that temptation should be resisted and that virtue in these matters will eventually pay off in a more healthy and prosperous world economy and hence in a more healthy and prosperous Canada.

Trade and tariff policy and other devices affecting the allocation of economic resources, through freeing or restricting the freedom of the market, inevitably affect the distribution of income. In 1955, income distribution was less affected by these policies, or by shifts in the burden of taxation, than by the brute forces of nature combined with conditions and policies abroad that created a great wheat surplus and a drop in farm income. Big decisions here remain to be made, and some rather depressing indication of their nature has appeared in the handling of the butter surplus through price supports combined with dumping abroad at low prices. Meanwhile our policies and possibilities for economic progress over the long run are being studied by the Royal Commission on Canada's Economic Prospects. Altogether, 1955 has proved in retrospect what it was in prospect: a year of decision.

II

Problems Confronting Us in 1956

I shall now consider a few of the most important problems confronting us in 1956. The first of these is obviously the new inflationary pressure built up during 1955. A review of that year, such as I have just given, should teach us that stability, like freedom, exacts its price in eternal vigilance. We must note, too, that there may be some difference of opinion not only on the timing and magnitude of anti-inflation policies, but also on the seriousness of the threat presented by the present boom. I believe that there are definite danger signs, not so much in prices as in the frantic pace of consumer buying, business expansion, and the general tightness of markets in both commodities and labor. Nevertheless, it can be argued that inflation solved some problems. An inflationary policy at home brought our dollar down to par, thus aiding our exporters at the very time that their markets were improved owing to inflation abroad. But this is hardly a healthy basis for continuing prosperity. Inflation always creates more problems than it solves. But, granting the need for anti-inflationary measures, what constitutes a balanced and effective policy?

No modern banker will deny the efficacy of wise central bank policy in curbing inflation. Indeed, experience shows that monetary policy is more effective against inflation than against deflation. But there are dangers. As I have already pointed out, the policy may go too far. It may also be unselective, curbing healthy as well as unhealthy or excessive bank credit. Short-term commercial loans to move goods into the market are a symptom rather than a cause of inflation, and drastic curbs may actually block the flow of goods and make inflationary pressure greater. Considerations such as this have led central banks to the use of discretionary and selective devices to supplement broad quantitative controls. In addition, certain types of credit, and these by no means the least inflationary, lie almost entirely outside the chartered banking system. I should like to nominate two candidates and possibly three for the attention of those charged with devising and administering credit control on a selective basis: consumer credit; term loans by banks; and (with caution) mortgage credit.

Consumer credit, or "buying on time," is an essential part of our modern economy. But, like all

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Canada's Continued Growth Seen in Economic Unity

good things, it can be carried to extremes. For the individual, to live in constant heavy debt is to live in bondage; and the burden of debt is usually the greatest for those who can afford it least: viz., those who need or are attracted by "no down payment" offers. For the economy as a whole, consumer credit results in the production and sale of durable goods (a form of long-term investment by the consumer) without at the same time a corresponding act of saving. There need be no harm in this provided the consumer loan is itself financed out of saving—the consumer then borrows in order to spread his own saving over time. But if a great rise in consumer loans is financed through bank credit expansion we have an expansion not of short-term, self-liquidating credit but a long-term loan paid back only over a long period, and a consequent expansion of the money supply.

Term loans by banks to corporations and the purchase by banks of corporate serial bond issues are similar in effect to an expansion of bank-financed consumer credit, and may be more serious in that the repayment period may be longer; and the initial outlay, for plant expansion, increases money incomes without providing a corresponding flow of final products on which that money income can be spent. That is why it is essential, in normal times, and especially where there is a threat of inflation, that term loans be financed out of the savings of the general public.

Mortgage loans by banks, like bank-financed consumer credit and term loans to corporations, are a departure from traditional short-term bank financing. Long-term investment, this time in a home, is financed without a corresponding act of saving. As a device for expanding home owning during a period of relatively slack trade, the NHA programme had many virtues. But with a return to normal conditions, and later with a reappearance of inflationary pressure, continued mortgage lending by banks, together with the other inflationary forces, undoubtedly made a contribution to instability in the economy.

Owing to natural causes, and to the effect of present policy, the three varieties of credit over-expansion may soon become less serious. To consider them in reverse order, it is possible that in the immediate future seasonal effects will tend to reduce inflationary pressure. This is especially true of home building and construction in general. Term loans and the purchase of corporate securities are no longer practicable under existing monetary policy; and, since the banks have only the shorter maturities, the amount outstanding should be substantially reduced within a few years and of course there will be no additional pressure from this source. The control of consumer credit does not belong primarily in the field of banking. War and post-war experience have shown that this can be most effectively handled by regulation at the retail level, with good will and co-operation between those who extend the credit and the control authorities. There should be nothing, therefore, in these three varieties of credit over-extension that a little common-sense, restraint, and co-operation cannot quickly cure.

III

Problems and Possibilities of Achieving Canadian Unity

I have now dealt with the policy decisions of 1955 and some of the problems confronting us in 1956.

I should like at this point to turn your attention to a matter of longer-term significance—to what I consider to be a most important goal of policy—a goal that, in a sense, comprehends all the others: achieving and maintaining Canada's economic unity.

Clearly, Canada's future as a unified economic and political entity depends in part upon our continuing success in meeting the various short and long-run problems we have been discussing. But success in this, though necessary, is not sufficient in itself to guarantee Canadian unity. We are divided by the accident of geography that makes us a long belt, divided into regions with diverse climates, cultures, and economic interests; and with each region feeling the strong influence of our giant neighbor, the United States. We are divided also by occupational and group sectionalism within as well as between regions. Under these conditions, which we have to take as "given" so far as policy is concerned, we can least afford the parochialism of group and sectional interests which is a natural, if not an inevitable, result.

There is, however, reason for optimism arising in part from the very magnitude of the task before us. The very diversity of regional, cultural, and occupational interests that creates and aggravates our problem makes unity an even richer prize than would otherwise be the case. Ours will be a unity in diversity, with the attendant opportunity to take fullest advantage of the division of labor, itself a product of diversity in culture, in individual talent and skill, in group interest and activity.

I firmly believe that this difficult task can be accomplished. There is, indeed, encouraging evidence that we have already made great progress: that parochial attitudes and habits of thought are now on the wane in Canada. As I have said, continued progress depends on wise decisions in economic policy; but, in the final analysis, success in achieving and maintaining Canadian unity requires much more than that. The role of economic policy is to make it possible for the great qualities of courage, faith, and breadth of vision to add nobility to wisdom, to add worthiness to wealth, and to add national greatness to that greatness of promise which is still perhaps the most precious asset of this divinely endowed young country.

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The underwriters are managed by Blyth & Co., Inc., The First Boston Corp., Goldman, Sachs & Co., Kuhn, Loeb & Co., Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane, and White, Weld & Co., with Blyth & Co., Inc., acting as chairman of the seven co-managers. In addition, about 1,200 selected securities dealers will help distribute the stock in the United States and Canada as well as in 20 countries around the world.

Each underwriter has agreed to use his best efforts to ensure the widest possible distribution of the stock. At the request of the company approximately 1,500,000 shares or about 15% of the total offering are being sold by the underwriters to about 8,600 Ford car dealers and 3,800 of certain salaried employees of the company.

Nearly 1,000,000 shares are being reserved by the underwriting managers for sale directly to institutions, such as pension funds, educational and charitable organizations, and insurance companies.

The Ford Motor Co. has arranged to list the stock on the New York and Detroit Stock Exchanges, and plans to list it on the Mid-West, Los Angeles and San Francisco and possibly other exchanges.

The stock, which represents 22% of the Foundation's holdings of Ford Motor Company stock, is being sold by The Ford Foundation to the underwriters for public resale principally to permit the Foundation to diversify its investments. The Foundation's total holdings prior to the sale represent approximately 88% of the total equity of the company and substantially all of the Foundation's assets other than government bonds and cash. Proceeds of the sale, which will total about $642,600,000, will accrue to the Foundation, and no part will go to the company or to the Ford family.

Prior to the current sale, the company's capital stock consisted of (1) Class A common stock, owned by the Ford Foundation with the exception of certain shares owned by the Ford family and certain other shares subject to option or purchased through options by company employees and officers; and (2) Class B common stock, all owned by the Ford family. With the current sale, the company's Class A and Class B stocks are being reclassified so that the Ford outstanding shares will consist of 53,461,470 shares of stock, made up of 10,832,100 shares of new common (which includes the $10,200,000 shares now being offered), 36,148,620 shares of Class A stock, all owned by the Ford Foundation, and 6,480,750 shares of Class B stock, all owned by the Ford family.

Initially, the Class B stock will have 40% of the voting rights for election of directors, the common stock 60%, and the Class A stock none. All three classes share alike in earnings and assets. The company has no funded debt.

Under a stock option plan adopted in January, 1953, options were granted to certain key employees for the purchase of old Class A common stock. As of Dec. 1, 1955, options had been exercised for the equivalent of 647,100 shares of new common, and options for the purchase of the equivalent of 1,513,500 shares of the new common stock were outstanding. Under a new option plan, options for a maximum of an additional 900,000 shares of new common may be granted to officers or other salaried employees at any time prior to Jan. 5, 1961. Ford directors have authorized options for 446,250 of such shares at the time of the public offering, or later, as the board of directors may determine. The company has also adopted a limited savings and stock investment program for salaried employees.

In 1955, the company paid dividends equivalent to $3.27 per share of the company's capital stock to be outstanding immediately after the reclassification. Of this amount, $1.31 per share was considered extra dividends. The board of directors has stated its intention of declaring a dividend of 60 cents per share for the first quarter of 1956.

Canadians Want to be . . . *Partners in their own Development*

This feeling expressed by our President at the Investment Bankers Association Annual Convention in 1951, more recently by the President of a Canadian University in an address to the Boston Conference on Distribution*, and again by the President of one of Canada's ten Chartered Banks, has also been the subject of numerous newspaper articles and editorials in Canada in recent months. There is a broad and growing segment of Canadian opinion which feels that United States corporations are beginning to control the economic future of Canada. This is not now the case or ever likely to become so. However, there is a growing concern not only about the normally welcome inflow of U.S. capital but also, and more importantly, about the virtual exclusion of Canadian participation in United States controlled operations in Canada.

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Factors in the Growth Of Consumer Credit

By ROBERT E. LEWIS*
The First National City Bank of New York

Bank official notes great expansion of consumer credit during postwar period, accompanied by changed attitudes by various sectors in community. Citing recent extraordinary increase of automobile paper, raises possibility of a cyclical reversal, but concludes that its long-term course will follow nature of economic conditions generally. Holds in favorable economic atmosphere there is place for further increases, provided that quality is kept high.

Consumer credit has mounted steadily higher at a spectacular pace during 1955. Yet when people ask "Is credit too high?" we have to answer "We just don't know." We have entered into unknown territory so far as instalment credit is concerned, and our old criteria may no longer be adequate. Total short- and intermediate-term consumer credit is at a higher level than ever before; today at the end of 1955, the volume outstanding is probably close to $36 billion. The increase during the year of nearly $6 billion is the largest ever recorded. The volume of debt in relation to current income is higher than ever before, and so is the burden of debt measured by the percentage of disposable income going into instalment repayments. Loan maturities, particularly on new cars, have stretched out further and down payments have shrunk. Small wonder then, that a great many people are deeply concerned about the state of consumer debt.

Robert E. Lewis

In the rapidly growing field of consumer credit, however, there is not much novelty in disturbing changes. The other day I happened across a statement made almost exactly 30 years ago by a leading New York banker, which has a hauntingly familiar sound. He was warning against the rapid expansion of automobile sales credit through extending time payments over too long a period, and noted that there had been a tendency to stretch terms on new cars from the customary one-year maturity to eighteen months or even two years. It was time to curtail that tendency now, he said. Just multiply the maturity figures by two, and you might have clipped it from this morning's paper. The hazards of excessively easy terms are with us in 1955 no less than in 1925. To the extent that such terms induce individuals to over-extend themselves and tie up a major share of their income for a protracted period, they are detrimental not only to the individual, but to the economy. Intelligently used, however, the impact of consumer credit is quite another story.

*An address by Mr. Lewis before the American Finance Association, New York City, Dec. 30, 1955.

The Relevant Factors

The big question is whether the rapid growth of consumer credit has been out of line with the growth in the rest of the economy and the institutional changes which have taken place. To get the answer to that — or rather to get close enough to guess at an answer—we have to examine the evidence on a number of other questions on consumer credit. What factors lie behind this record-breaking rise? What part of the upswing can be attributed to transitory cyclical factors and what part is steady long-term growth? How sound are today's terms and today's credit risks? And finally, how long can this go on?

The additional purchasing power provided by consumer credit has been a major factor in developing mass markets for consumer durable goods and promoting generally high production and employment during the postwar decade. Since the end of World War II, total consumer credit outstanding has multiplied sevenfold. Instalment credit has shot up from $2.1 billion on V-J Day to more than $27 billion today. A great deal of this rise has gone hand-in-hand with the rise in prices and incomes. Another large portion was accounted for by catching up after the durable goods rationing and credit restraints imposed during the war. But even allowing for these factors, there has been unquestionably a marked expansion in the use of instalment credit during the postwar period.

To put it concisely, more people today are ready, willing, and able to use more consumer credit in more ways than ever before. For one thing there are **more people.** The population has grown by 25 million persons in the postwar decade, an increase of 18%. The number of families has risen at an even faster rate. An increased proportion of families is headed by urban wage earners and a higher share is in the middle-income brackets. Both categories are much heavier users of consumer credit on the average than other households.

Change in Attitude

This sharply increased group of potential credit users is **ready** to borrow because of the changed attitude toward debt by the borrowers themselves, by society at large, and by lenders. There is no longer a stigma attached to buying on instalment credit or borrowing to meet an emergency or to achieve some desired personal goal. Highly competitive selling methods have persuaded consumers that this is the way to buy durable goods, and in fact the majority of cars and household appliances are bought on credit today.

Lenders, particularly commercial banks, have changed their attitude toward consumer credit. In 1930, only about 100 banks had consumer instalment loan departments; today at least 80% have facilities for such loans. Competition between lenders as well as between dealers has been a substantial factor in the spread of consumer credit.

Consumers are more **willing** to borrow today because they desire to improve their standard of living. More and more of our household heads today fit the pattern of the typical user of consumer credit—relatively young, head of a family with children under 18, and holding a good, steady job. A couple of generations back, more often than not, families saved until they could pay cash for the household goods they needed. Today's young married couples are often impatient with this delay and prefer to get the goods they need and want when they need and want them most. Everything from houses to the latest electrical gadgets is willingly bought on credit, and families gladly pay something in interest and other charges for the privilege of getting these things **now.** Some people call this averaging out the life-cycle—acknowledging that the peak in income

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Factors in the Growth Of Consumer Credit

usually comes many years later than the peak in family needs. Through credit, families can postpone some of the payments to a time when income (they hope) will be higher. Since they have to pay something for the credit, the same amount of purchasing power will not cover so much in the way of goods. A great many families, however, find in instalment credit a type of forced saving through which they can acquire goods they never would have bought if they had had to save up in advance.

Consumers are willing to incur debt these days because of their high degree of confidence in their ability to repay. An increasing proportion of the persons in the market for consumer goods today belong to the groups which entered the labor force in the war and postwar periods. Most of them are unscarred by the Great Depression; for the most part, throughout their working careers they have experienced regular employment and steadily rising wage rates. Without the spectre of prolonged unemployment which haunted so many workers in the thirties, is it any wonder that today's worker is more willing to commit his future income?

This favorable work experience plus the formidable array of "built-in stabilizers" which soften the impact of any downturn have also lessened the incentive to save for a rainy day. Workers may often prefer to enjoy the present, and commit a larger portion of income to instalment payments, while they depend on unemployment insurance, pension and welfare plans, or social security to provide a subsistence in time of necessity.

More Good Risks

Consumers are better able to use instalment credit because more of them are good risks. Not only has work experience been more favorable, but incomes have risen, bringing more and more families into the middle-income brackets. It is an old truism that the middle-income families account for the bulk of consumer credit because the low-income families can't borrow and the rich ones don't have to. According to a recent estimate,[1] the number of consumer units with after-tax income of $4,000 or more in constant 1955 dollars has increased 85% since 1941, against a rise of only 25% in the over-all number of consumer units. In other words, the group with purchasing power eqiuvalent to $4,000 or more at today's prices has increased 3½ times as fast as the general average. More than half of all consumer units are now in the $4,000 to $10,000 bracket.

Many of these families have moved into income brackets where for the first time they are able to buy a new car, to afford a home of their own, to upgrade their durable goods purchases, and to command the credit needed to satisfy these desires. Higher incomes, over and above basic subsistence, traditionally bring increased demand for durable goods, and at the same time bring the means to obtain them by increasing both current purchasing power and credit eligibility.

Finally, the consumer has more ways to use credit than ever before. Instalment credit has spread beyond the durable goods field where it originated. In the form of revolving credit, it is now widely used to finance purchases of nondurables in department stores. It is used extensively to finance services; today you can take a trip, send your son through college, or even write a check on a bank, and pay it back in instalments. Charge accounts have also spread; you can get credit cards entitling you to purchase a wide variety of goods or services and be billed later. Each new use, whether it be merely a matter of convenience or a need to spread payments overtime, adds to the sum total of consumer credit outstanding.

The Crucial Auto Market

Thus, as noted earlier, more people are ready, willing, and able to use more consumer credit in more ways than ever before. That is a general explanation of the postwar expansion of consumer debt, but it is not sufficient to explain the dramatic upsurge in credit during 1955. For that, we have to look to the automobile market. In the first 10 months of 1955, automobile credit jumped $3.7 billion, or 36%. Other instalment credit rose $800 million, or 7%, and noninstalment credit edged up $350 million, or 5%. At the start of the year, automobile paper accounted for only one-third of total consumer credit outstanding, yet it accounted for nearly five-sixths of this year's increase. Stated another way, the volume of automobile paper expanded more than three times as much as that of all other types of consumer debt combined, while its rate of increase was about six times as fast.

The 1955 automobile market has been a phenomenal one. About 7.4 million passenger cars were sold in the domestic market, two million more than in 1954 and over one million more than in the previous record year of 1950. There have been many attempts to explain why the auto market exceeded all expectations, including the attractive new styling, the growth of the two-car family, aggressive selling, and upgrading of demand. All probably made a contribution. But a very basic part of any analysis is the part played by instalment credit and easier terms.

The liberalization of terms which took place in early 1955 was the outgrowth of intense competition and easy money. Average maturities on new car loans were stretched out from about 24 months to roughly 30

[1] Robinson Newcomb, "Rising Incomes Mean Bigger Markets," *Nation's Business*, Nov. 1955, pp. 33.

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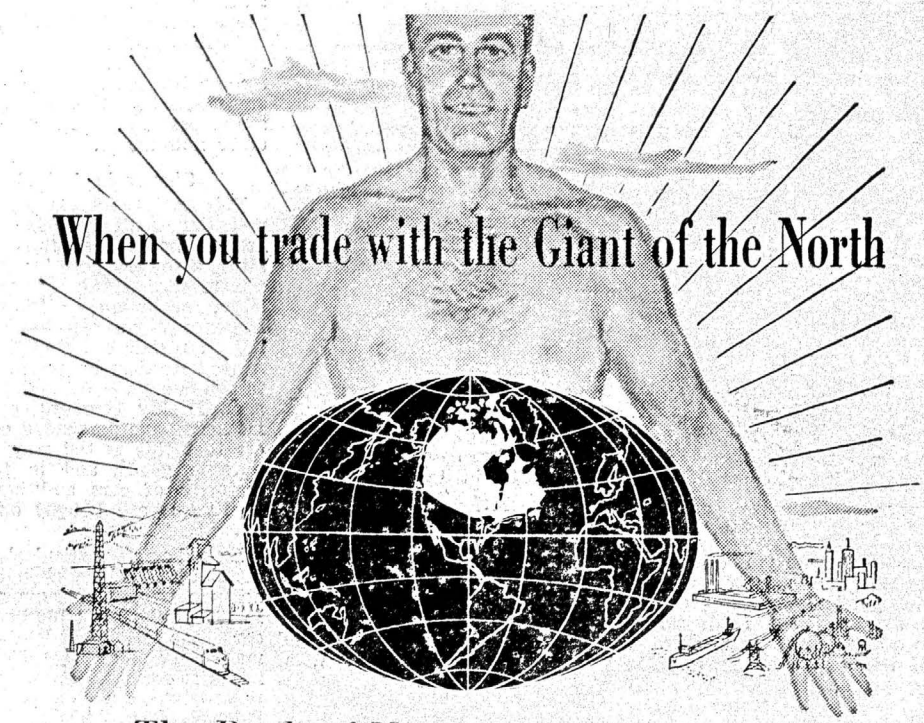

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months, and when the average is at 30 months, you can be sure that there is a substantial number of loans with 36-month maturities. Deals for maturities longer than 36 months, however, appear to have been far more prevalent in dealers' advertising than in finance company portfolios. Down payments shrank, both openly and through the device of exaggerated trade-in allowances. It finally reached the point where a leading finance company warned that these easy terms hurt the dealer through taking the customer out of the market for a longer period, hurt the lender by extending the risky period during which the borrower had little or no equity in his car, and hurt the consumer by making him pay out more interest.

Impact of Easier Terms

What happened was that people could buy new cars with less cash and with lower monthly payments than previously. Within the group which customarily tends to buy new cars, many persons presumably accelerated their new car purchases by a year or two because of the favorable terms. Even more important, dealers could now sell to a whole new income bracket, and they did so aggressively. People who previously had not been able to afford a new car now could buy one with payments within their means. People who ordinarily had bought only used cars now upgraded themselves to new cars. Such people may have purchased a substantial share of the million or more cars by which sales exceeded forecasts. But it is important to remember that opening up a new market, in this case tapping new income brackets, brings with it an initial surge of demand which is not ordinarily sustained. The cream has been skimmed from this new market created by easier terms. Unless one foresees still more liberal terms in 1956—and at present the trend seems to be in the opposite direction—this sales stimulus will be greatly diminished in 1956.

Those are some of the forces behind the record-breaking rise in consumer credit. The next questions are to what extent these forces are secular, and presumably sustainable, and what are the possibilities and implications of a cyclical reversal.

Basically, the volume of consumer credit outstanding might be expected to grow along with the long-term growth of population, consumer prices, and purchasing power. It has done that and much more. Credit outstanding as a percentage of disposable personal income has risen from 7.5% in 1929 and 11.0% in 1940 to approximately 13% at the end of 1955.

Yet this growth in consumer credit beyond its previous peak relationships to income is not necessarily proof that the volume outstanding is above a sustainable level. A good case can be made for the existence of a secular trend in the relationship itself. That is, there seems to be a tendency for consumer credit to increase over the long run at a faster rate than income. One factor in such a trend would be the shift of an increasing proportion of income to the middle brackets, where durable goods purchases and use of credit are heavier than average. Shifting attitudes toward debt, the wider variety of uses of credit, and the greater accessibility to credit also contribute to the relatively faster growth of credit volume. There also has been a drift over the years toward more liberal terms—a highly irregular drift because of Regulation W and other influences, but nonetheless a discernible trend. Not only do more liberal terms induce more people to buy more on credit, but they also expand the volume of outstandings through raising the proportion of the purchase which is financed and by extending the length of time the loan is on the books.

Altogther, the trend toward more intensive and extensive use of consumer credit in today's economy seems well established. That being the case, the rise in consumer credit as percentage of disposable income from 11% to about 13% over a 15-year period does not in itself appear to be grounds for alarm. Consumer credit is a growing part of our growing economy. But it still is not clear how much further the proportion of business done on credit can rise without danger. Obviously, it cannot expand indefinitely. But an economy characterized by high employment, steady work, and rising incomes can support a much larger volume of credit without strain than one which is erratic or depressed. In that sense, the sustainable level of credit depends on the nature of economic conditions generally.

Similarly, the proportion of recent gains which is cyclical depends largely on how much of the recent advance in general economic activity is considered to be a boom over and above a sustainable long-term growth trend. Changes in income and sales patterns will do more to influence consumer credit than vice versa.

Effect on Business Cycle

Instalment credit has long been regarded as accentuating booms and recessions, but not as causing upturns or downturns. In revival, instalment credit contributes to purchasing power and helps put men and machines back to work. In the later stages of a boom with many lines bumping against the ceiling of capacity, it adds fuel to the fires of inflation, though in this it is not much different from other forms of credit. In a downturn, repayments subtract from badly needed purchasing power.

In recent recessions, the supposedly deflationary force of consumer debt has not been much in evidence. In 1949, apart from purely seasonal influences, there was no net reduction in instalment credit at all, and outstandings rose steadily throughout the year. In 1954, instalment debt repayments exceeded new credit granted in the early part of the year, but the dip in outstandings was only 3% or $345 million, seasonally adjusted. By late spring, the volume of credit was rising again and contributing to purchasing power several months before industrial production turned the corner.

It might be argued that instalment credit contributes a cushioning effect in recessions of the 1949 and 1954 magnitude, so long as consumers remain confident. The 95% of workers who remain employed and even some of those who are temporarily laid off are enabled to keep on buying so long as both the borrower and the lender have confidence in the worker's employment prospects over the term of the loan. The fact that, on the average, close to $2½ billion of new instalment credit was extended each month during 1954 makes it clear that the sustaining force of instalment credit does not vanish like the dew at the dawn of economic adversity. But to make this possible, confidence in the limited scope and duration of the downturn is essential. However, if a sharp drop should shatter confidence, consumer credit would resume its traditional role of intensifying recessions; both the reluctance to incur or extend new instalment debt and the continuing necessity for repayment would reduce purchasing power and retail sales.

The stimulating effects of consumer credit are also sometimes over-rated. The $5 billion added to purchasing power in 1955 by expansion of instalment credit outstanding is less than 2% of total disposable income and equal to about one week's worth of consumer expenditures. If consumer credit remained unchanged in 1956—an example, not a forecast—the economy would lose this $5 billion stimulus, but it could be made up by a general increase in wages of only 2½% or a cut in personal taxes of 15%, neither possibility requiring an undue stretch of the imagination. Admittedly the impact of instalment credit changes is centered in the strategic consumer durable goods sector, but it would be difficult to say whether or not the stimulative effects of a pay boost or tax cut would be significantly less.

The question of whether there is too much consumer debt is not answerable from the aggregates and averages. It has to get down to the burden on individual borrowers. Last spring, the Survey of Consumer Finance showed us that only about one eighth of all spending units or a quarter of those with debt were committed to pay out more than 20% of their income every month. About a third of all borrowers had liquid assets sufficient to cover their entire debt and another third had

Continued on page 28

Substantial Oil and Gas Reserves Acquired By

Great Sweet Grass Oils Limited

This Canadian company has just acquired interests in 9,104 acres of gas and oil lands in the State of Oklahoma including 38 producing wells and 52 well locations with estimated, developed and undeveloped, net proved reserves of 9,470,000 barrels of oil and over 18 BILLION cubic feet of natural gas. Further drilling is underway.

In Manitoba, Can., Great Sweet Grass has also recently acquired gas and oil lands with total proven oil reserves of 1,419,490 barrels of oil, plus 155,351 barrels of probable reserves.

In Western Canada, the Company has in excess of 140 BILLION cubic feet of gas reserves. Its varied interests in more than 1 MILLION acres of gas and oil lands are diversified over 20 fields in Canada and the United States.

A drilling program is also planned for extensive holdings recently acquired in a highly industrialized section of Quebec, Can., where an important natural gas field may be developed.

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SUMMARY REPORT FOR THE THREE MONTHS OF THE CURRENT FISCAL YEAR ENDED SEPTEMBER 30, 1955

Tons Milled	73,407
Gold Recovered Ozs.	43,665
Total Revenue	$1,584,452
Operating Expense	$1,017,847
Net Profit	$273,057

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is participating with GREAT SWEET GRASS OILS LIMITED in a natural gas drilling program currently under way in the St. Lawrence Lowlands area of Quebec —an area favorably regarded as a possible source of commercial natural gas deposits that would find a quick and ready market in one of Canada's largest industrial areas—between Montreal and Quebec City.

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IN ADDITION Canadian Oil and Gas Reserves Ltd. carries important participating interests in 43 oil wells in the State of Oklahoma and in three producing oil wells in Alberta — plus an 8% net interest in three capped gas wells which will shortly be productive through West Coast Transmission pipe-line.

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Continued from page 27

Factors in the Growth Of Consumer Credit

some bank accounts or government bonds, but not the full amount of their debt. But that was in early 1955, and a lot of cars have been sold and credit extended since that time.

We do know that in October the Survey Research Center found that 45% of consumers had instalment debt. Roughly one fourth of these found it a hardship to make instalment payments and another fourth admitted that debt repayment forced them to postpone some other purchases. In other words, about one fifth of consumers were temporparily out of the market for major purchases.

Rapidity of Turnover

Most of these families will probably be back in the market again soon. One favorable feature of instalment debt is the rapidity with which it turns over. More than 10% of the outstanding debt is repaid each month. The Survey of Consumer Finances indicates that one fourth of families with instalment debt early this year would have it paid off in six months or less and an additional two fifths would complete payments on their debt within a year. Only about 7% would still be paying on this debt at the end of 1956. A great many of these families, of course, acquire new debts as the existing ones are paid off; in fact, the Survey has found that families with debt are more inclined to incur new debt than those who are debt free.

At any rate, the rapid turnover is one evidence of the soundness of the debt and the constant contribution of consumer credit to purchasing power. Recent reports indicate low levels of delinquencies, repossessions, and losses and emphasize that there has been no appreciable dilution of the quality of credit.

Finally, we face the question of where do we go from here. It will take a much smaller expansion in instalment credit outstanding to maintain in 1956 the same volume of credit sales that we had in 1955. In other words, a leveling-off in sales would bring a leveling-off in extensions of instalment credit. The volume of repayments, however, is mounting and should continue to do so. Thus, the net increase in outstandings, which is the excess of extensions over repayments, should gradually decline. An automobile industry spokesman has estimated that a net increase of only $1½ billion in automobile paper in 1956 would finance the same volume of sales that caused a $4½ billion increase in 1955. You can shift your estimates of the increase in consumer credit next year up or down from that figure according to how optimistic you are about the automobile industry.

In the broader picture, we have seen a trend toward more extensive and more intensive use of consumer credit. The forces responsible for this trend, including concentration of income in the middle brackets, development of new uses, and favorable attitudes toward debt, appear destined to continue except in the case of a major economic reversal. In a favorable economic atmosphere, such as has characterized the post-war decade, there is a place for still further increases in the use of consumer credit, provided, of course, that we can keep the quality high.

Herbert Allen Director

Herbert Allen, partner in the investment banking firm of Allen & Company, New York, has been elected chairman of the board of directors of Benguet Consolidated Mining Co., it was announced by Judge J. W. Hausserman, President and General Manager. Mr. Allen is now en route to Manila, Benguet's headquarters, to get first-hand information on the operations of the company.

Herbert Allen

Benguet operates one of the largest gold mines in the world as well as the largest know deposit of refractory chrome bearing iron ore in the world. The company also operates lumber, timber and lime properties. Benguet, which currently employs approximately 6,000 people, recently acquired four other chrome properties and one sulphur property to develop.

Detroit Stock Exch. Elects New Officers

DETROIT, Mich. — The Detroit Stock Exchange announces the election of the following Officers for 1956:

President: Warren A. Wood, Baker, Simonds & Company.

Vice-President: Roy W. Neil, Andrew C. Reid & Co.

Treasurer: Henry VanderVoort, Nauman, McFawn & Co.

Warren A. Wood

Announcement was also made of the reappointment of Fred J. Oppat as Executive-Secretary and Examiner and the appointment of Betty N. Suiter as Assistant Secretary.

Governors elected to the board for a three-year term are:

Harry A. McDonald, Jr., McDonald, More & Company; Roy W. Neil, Andrew C. Reid & Company; John K. Roney, Wm. C. Roney & Company.

Other Governors making up the Board are Lawrence H. Dilworth of R. C. O'Donnell and Company, Raymond W. Miottel of Paine, Webber, Jackson & Curtis, whose terms expire in 1957. Charles E. Exley of Charles A. Parcells & Company, George A. McDowell of Straus, Blosser & McDowell, whose terms expire in 1958. Edward C. P. Davis and William A. Walker of Dickinson, Wright, Davis, McKean & Cudlip will continue as Counsel and Edwin Bower of White, Bower & Prevo will continue as Auditor.

Elected to the Nominating Committee for 1956 are: Samuel Hague, Smith, Hague, Noble & Company; Charles A. Kreidler, c/o Baker, Simonds & Company; Reginald MacArthur, Kenower, MacArthur & Company; Peter M. Macpherson, Charles A. Parcells & Company, and Raymond C. O'Donnell & Company.

A. S. E. 5 & 20 Club Receives Slate

Philip H. Diamond, President, American Stock Exchange 5 & 20 Club, has announced a slate of new officers which will be elected at the organization's annual meeting on Jan. 19, 1956.

The organization, composed of regular Exchange members who have held their seats for 25 years or more, has proposed Rulley Koerner for President; Harold J. Brown, Vice-President; Jacob Feinstein, Treasurer; and Raymond A. Bau, Secretary.

Leonard C. Greene, Chairman of the Club's Entertainment Committee, announced that an overflow crowd was expected at the organization's annual meeting and dinner which will be held at Luchow's restaurant.

The Club, organized on April 17, 1947, consists of 160 members, 68 of whom joined the Exchange when it was known as the New York Curb Market on the streets of downtown New York, prior to June, 1921.

Edwin Abele Joins L. D. Sherman & Co.

L. D. Sherman & Co., 30 Pine Street, New York City, announce that Edwin A. Abele has joined the firm as co-manager of the trading department. Mr. Abele was formerly in the trading department of Franklin, Meyer & Barnett.

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Trend Toward Retirement Age Postponement

Mutual Benefit Life raises its employee retirement age policy to 68 on an individual case by case basis. Research substantiates trend toward advancing, flexible retirement resulting in conservation of human assets.

"American business and industry is tending to discard age 65 as a hard and fast retirement date," the nation's 12th largest life insurance company said, in announcing a change which would permit its own employees to continue employment until age 68.

W. Paul Stillman, Chairman, and H. Bruce Palmer, President, of the Mutual Benefit Life Insurance Company announced that the action was taken by the Board of Directors to give more effective recognition to "the company's human assets." They said there is "a noticeable trend toward postponing the age for retirement" in American business and industry.

The Board of Directors approved an amendment to the company's employee benefits plan which will permit employees to continue working until age 68 "in those instances where it is evident to the company that the best interests of the employee and company will be served by such a continuation."

Previously the company's employee benefits plan required all employees to retire at age 65. The company, which has assets of $1½ billion, employs 3,700 people throughout the country. Only home office employees will be affected at this time.

For several years social workers, economists, psychologists, the medical profession, business and trade union leaders and government specialists have argued the point of age 65 retirement. In 1950 the respected Harvard economist, Sumner Slichter declared that the annual loss in industry from "premature retirement" was probably over $5 billion. This declaration caused many large corporations to re-evaluate their retirement situation. Labor unions too have been deeply concerned with the problem as their great drives for industry - sponsored pension plans in 1948 and 1949 gained momentum. For the most part, labor has taken a consistent position against compulsory retirement at a fixed age which might be premature.

Actuaries of the Mutual Benefit Life have noted a steady increase in the expectation of life in the general population since early in the century. Even as recently as the 20-year period of 1931-1951, there has been an increase of more than a year. For example, males age 65 in 1931 could expect on the average to live 11.77 years longer, while in 1951 this figure had increased to 12.75. The increase is even greater for females, the life expectation improving more than two years during the same 20-year period.

It has also been pointed out by students of problems of the aging that with the older ages has also come improved health, vitality and acumen.

In explaining the action of the Mutual Benefit Board, Mr. Stillman, chairman, said that extensive studies have been made by the company on the subject of retirement. "It was clearly evident," he said, "that age 65 is an arbitrary age for retirement and to apply it inflexibly is unrealistic in the light of recent developments. Among these were cited the increased longevity of men and women in this country and the fact that many workers were able and willing to continue employment at age 65.

"A business is composed of many kinds of assets," Mr. Stillman explained. "One of the most valuable are the human assets, which are the brains, skills, abilities, initiative and loyalties of the people who comprise a business. We found, as a result of our studies, that these human assets were sometimes wasted by forced retirement at an age chosen many years ago in an era of business depression as a theoretical point of retirement. The fact that in many cases this magic figure of 65 was chosen largely because it is the criterion for eligibility for social security benefits points up a basic weakness.

"Age 65 is outmoded as an inflexible retirement age. Our research in this area showed definitely that the trend is toward advancing retirement, a trend that is supported equally by management and the worker, as well as by organized labor.

"We are taking this step because we feel good management dictates an enlightened use of productive manpower in our company. A more flexible approach to the problem of retirement ages will be attained through the action taken by the Board."

In order to maintain equity from a pension standpoint for those who will not continue in employment beyond age 65, the maximum pension benefits will be available as at present at that age. For those continuing in employment, pension payments will commence upon actual retirement.

Jos. McManus Wire to Jack M. Bass & Co.

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange, announce the establishment of a direct private wire connection with Jack M. Bass & Co. in Nashville, Tenn. The McManus wire system coverage now totals 37 cities from coast to coast.

On Jan. 28 and 29, Joseph McManus & Co. is sponsoring a meeting of partners and traders of all firms on their wire system in Chicago at the Hotel Ambassador.

Keim and Co. Opens

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Keim and Co. has been formed with offices at 785 Sixth Street to engage in a securities business. Officers are M. R. Keim, President and Donald D. Keim, Secretary-Treasurer.

Jos. Gimma Director

Joseph Gimma, a partner in the firm of Hornblower & Weeks, has been elected a director of Crystal Oil and Land Company, according to an announcement made by Harold C. Bishop, President of the Shreveport, La., company. Mr. Gimma is located in the New York office of Hornblower & Weeks.

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SILANCO MINING & REFINING COMPANY LIMITED

Holdings and Current Activities

The Company owns two former producing cobalt-silver mines at Cobalt, Ontario—the Violet and Beaver. On a lease arrangement with Cobalt Consolidated Mining Corporation Ltd. development work is planned, commencing with the company's Beaver mine.

In the Bancroft uranium area of Ontario, Silanco holds seven claim-groups covering a total of 6,500 acres. Extensive exploration programs on several of these groups has given encouraging results.

In the Blind River uranium area of Ontario, Silanco holds an 18 claim group with diamond drilling currently under way.

In the Eastern Townships Area, Quebec, Silanco holds a 3,900 acre property. A geophysical program is planned for early beginning.

Silanco holds a substantial participation in Glenmar Lithium Mines Ltd. which is currently preparing to drill a 1,900-acre group in the LaCorne-LaMotte lithium camp, Quebec.

Silanco is currently negotiating for copper-prospect properties, in British Columbia and the Noranda Area, Ontario.

Silanco holds 338,961 shares of Cobalt Consolidated Mining Corporation Ltd. and 12,000 shares of Quebec Metallurgical Industries Ltd. and $19,000,000 of Cobalt Chemicals Ltd. bonds.

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Secretary: John T. Symons, C.A.	Toronto
Director: Andrew Robertson	Toronto
Director: Martial Dumulon	Amos, Que.
Director: Dalton Dean	Haileybury, Ont.

Mine Executives
E. E. Campbell, B.Sc., Mining Engineer, Manager
J. E. Armstrong, B.Sc., Mining Engineer, Assistant Manager

Metals Produced
COBALT SILVER NICKEL COPPER

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Agaunico Mine — Cobalt Lode Mine
Kerr Lake Mine — Christopher Mine
Foster Mine — Crown Reserve Mine

Outside Exploration
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West Hawk Lake Lithium Area, Manitoba
Temagami Copper Area, Ontario
Nairn Township Copper-Nickel Area, (Sudbury), Ontario
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Competition and the Taxation of Co-operatives

By ROBERT T. PATTERSON
Associate Professor of Finance
Claremont Men's College

Prof. Patterson, in commenting on the bills proposed in Congress to reduce the present tax advantage enjoyed by co-operatives, presents reasons why these organizations, which compete with other forms of enterprises should bear an equal burden of taxation. Says present tax discrimination in favor of co-operatives causes a serious loss of revenue while giving them a marked financial advantage over their heavily taxed corporate rivals.

Among the many bills to be offered in Congress when it convenes in January will be one or more intended to reduce the present tax advantage of co-operative associations. Advocates of such legislation want not merely to plug an important loophole in the revenue system but to place the co-operatives on a more nearly equal basis with their principal competitors. Under the present law, as it is qualified by court decisions and long-established Treasury rulings, co-operatives can avoid taxation on the greater part, and in some cases all, of their earnings. It is possible, also, for them to allocate those earnings to their members in such a way that when received they are not taxable as individual income.

Robert T. Patterson

More than 11,000 co-operatives in the United States buy and sell goods and provide various services for well over three million individuals, some of whom belong to two or more associations. They gross annually an estimated $13 billion. The majority of them, among which are the biggest, serve farmers; but city consumer co-operatives and retailer-owned co-operatives, also, transact a considerable volume of business.

These associations are not mere neighborhood groups. Many are gigantic firms with far flung business operations. They manufacture, wholesale, and retail thousands of products; they provide banking, insurance, telephone service, irrigation, housing, medical care, and electric power; they gin cotton, truck livestock, grind feed, and pack fruit. Their activities are myriad, and their benefits are widespread. They are an important and highly acceptable part of our economic life.

Most of the co-operatives are corporations and they enjoy the legal prerogatives of the corporate form of business, such as limited liability for their member-owners and prepetual legal existence—criteria sometimes offered to justify the corporate income tax. But the tax favored status of co-operatives and their members is in marked contrast to that of ordinary corporations and their stockholders. Private corporations are taxed at from 30 to 52% on net income, and their stockholders pay tax on most of the dividends disbursed to them.

Originally, the co-operative was a small group of individuals who joined together to buy or sell to the best advantage. Farmers especially, when at the mercy of those who bought their crops, or when they believed that the goods they purchased were overpriced, sought economic strength in mutual associations for buying and selling. Here and there in the cities consumers likewise banded together to buy at wholesale goods that served their daily needs.

When taxes were levied on many other forms of business, Congress favored co-operatives by exempting them. The Corporate Tax Statute of 1909, which imposed a 1% tax on the income of corporations, exempted various organizations, including co-operatives, which "operated exclusively for the mutual benefit of their members."

There was then little objection to so slight a tax advantage for a form of business that was generally viewed as experimental, and for which much sympathy had been enlisted.

Successive revenue acts exempted farmers' co-operatives; and the income of all others was made practically tax exempt by liberal Treasury rulings. These rulings allowed them to deduct from their earnings the dividends paid or credited to their patron-members. This meant, in most cases, that only a small part of the earnings could be subject to tax.

As tax rates on corporate income rose, however, what had been a minute loss to the Federal Government and a slight tax saving to the co-operatives became a serious loss of revenue and a source of funds that gave many co-operatives a marked financial advantage over their heavily taxed corporate rivals.

When, in 1951, the Internal Revenue Code was amended to make the undistributed earnings of all co-operatives taxable, little was gained for the Treasury. The co-operatives could continue to allocate their earnings to members in the form of promissory notes, certificates of benefical interest, and the like, while keeping the cash, tax free, for growth and expansion.

Thus, several hundred million dollars that would otherwise be paid to the Treasury is added annually to the co-operatives' resources. With this tax saving, they can increase their facilities and services, and in some instances it has enabled them to buy out their more heavily taxed competitors.

Tax free earnings also permit some co-operatives to set better prices than those of their competitors. And where tax favored patronage dividends combine with better prices, the attraction of patronage to the co-operatives is irresistible.

In recent years the trend of co-operative business has been markedly upward. Latest estimates of the Department of Agriculture, made solely for farmer co-operatives, show that between 1940-41 and 1952-53 their transactions increased from $2.3 billion to $9.5 billion per year. As this was a period of very high tax rates on corporate income, it is a fair conjecture that the increase was due, in some considerable part, to competitive advantage through the leverage of tax exemption.

But for most of that period the patronage dividends were taxable as income to those who received them. Then, at least, the earnings of a co-operative were subject to some tax—either to the association itself if it did not pay out or allocate its earnings, or to its members if it did.

This was not, of course, the "double taxation" that applies to the earnings of private corporations when paid out as dividends, but it meant that co-operatives' earnings were bearing some part of the costs of government.

Then, at one sweep, the earnings of the co-operatives—already tax exempt to the extent that they were paid or allocated to members — became exemptible also, under certain conditions, when received by the members as dividends. Since 1952, several court decisions have held that when certificates that allocate co-operatives' income have no fair market value, they are not taxable as income when received by the members. That is the case if the certificates are nontransferable, nonredeemable, and noninterest bearing—the more usual form in which co-operatives' earnings are allocated.

These decisions were a blow to the Treasury and a surprise to Congress, for they made it possible for both the earnings and the patronage dividends of co-operatives to escape taxation.

This double avoidance of taxation prompted Secretary Humphrey, last July, to suggest to the House Ways and Means Committee enactment of a 20% withholding tax on patronage dividends. It would apply in the same manner as the present withholding system for wages and salaries.

The suggestion came late in the session and was not acted upon. It seems likely, however, that the Secretary's proposal, or a similar one, will be considered when Congress reconvenes. Although the withholding tax that he suggests would not end the tax-induced competitive advantage of the co-operatives over private corporations, it would modify that advantage and be, at least, a step toward tax equality. Then too, it would yield new revenue to ease a little the burden upon all other taxpayers. Merely the proposal of such legislation calls attention to the whole problem of tax discrimination and may lead to further appraisal of it by Congress.

Meanwhile, to the extent that the co-operatives use the methods of tax escape which are now available to them and which are perfectly legal, they can enjoy the benefits of government without participating to any great extent in its cost. And as tax exemption gives them sufficient advantage over their competitors, they can gradually drive them out of business.

Co-operatives that are as efficient and economical in their operations as their corporate competitors do not need a tax subsidy to survive and grow.

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How Population Movement Creates Markets for Goods and Services

By HOWARD G. BRUNSMAN and HENRY S. SHRYOCK, Jr.*
Bureau of the Census

Census Bureau experts, in analyzing impact of population changes throughout the country, stress importance of attendant new sales opportunities. Point out that character of new additions, rather than actual increase in populations of given area, is dominant factor in determining degree of added market potential. Expect U. S. population, now at 166 million, to range from 186-193 million in 1965 and 207 to 228 million by 1975, with projections indicating (1) a substantial increase in number of school and pre-school children; (2) continuing decline in working-force age groups, and (3) further increment in over-65-age group. Describe factors governing migration and its impact in various sections of the country.

Interest in the statistics on the total population of the United States and of the various areas within the United States arises from the fact that people are markets and that figures on number of people are needed as the measure of the markets for many products.

But the population total changes. The Bureau of the Census has devised a population "clock" which is on display in the lobby of the Commerce Building in Washington, D. C. One set of lights on this clock flashes every 8 seconds to indicate that the number of births is running at the record rate of over 4 million per year in the United States. Every 21 seconds another set of lights flashes to indicate a death. Other series of lights flash to indicate that an immigrant enters the United States every 2 minutes, and that an immigrant leaves every 24 minutes. Thus, on the average, the population is increased by 1 person every 12 seconds; and the dial at the top of the display turns over by 1 to show the addition to the current total of the population of the United States. Some of the visitors who view this display have the impression that we obtain our population figures from the current reading of the dial. If any of you has this belief, I must disillusion you by reporting that we adjust the reading of the total at regular intervals to allow for variations of actual population change from the standard factors built into the machine. Our current estimate indicates that the total population of the United States exceeds 166 million, representing an increase of 15 million, or about 10%, in the 5½ years since April 1, 1950.

The 10% population increase since 1950 is not shared equally by all age groups. We can visualize a hypothetical situation in which the birth rates and death rates remain constant from year to year, and in which the relationship of immigration to current poulation remains unchanged. Under this hypothetical condition, the population in each age group would change at the same rate. The current age structure in the United States does not result from such a hypothetical situation. Migration from abroad has made only a slight contribution to the increase since 1950, but the heavy migration of earlier years has left its mark on the current age structure of the population. Most of the immigrants who now arrive in the United States are under 40 years of age. In 1950, the foreign-born represented less than 4% of the population 30 to 39 years of age and an even smaller portion of the younger age groups. But the foreign-born accounted for 1/10th of the 1950 population 40 to 49 years of age and for more than 1/5th of the population 60 and over.

*Joint paper read by Mr. Brunsman at the Winter Conference of the American Marketing Association, New York City, Dec. 27, 1955.

Birth-Death Rate Spread

Improvements in medicine and public health have resulted in dramatic reductions in death rates. But these improvements have had more effect on reducing deaths among the very young than among the middle-aged and older people. They have, however, permitted more persons to survive to the middle and older years. There have been very great fluctuations in birth rates. The effect of these is apparent not only in the number of babies but their impact can also be traced into the age structure in future years. The most dramatic example is the decline in number of birth to the low of the middle 1930's, and the tremendous increase in the postwar period. Thus, in 1955, there are nearly twice as many children under 5 as there are young people 20 to 24 years of age. In the four years from 1950 to 1955, the total number of children under 15 increased by 8 million, or 20%. This increase accounted for ⅗ths of the total population increase in this period. The population 15 to 29 years of age declined by 1 million persons, however, or about 3%. This decline reflects the low birth rates of the '30s. The increase in the population 30 to 44 years of age, however, was more than sufficient to offset the decline in the 15-to-29-year group. The groups 45 to 64 years of age increased 8.8% from 1950 to 1955, whereas the number of persons 65 and over increased by 15.9%.

Population Projections

We have recently completed a revision of our projections of the population of the United States to 1965 and 1975. These revisions have been made necessary by the fact that actual growth in the past three years was greater by ½ million than that indicated by the highest of our four projections prepared about two and one-half years ago. The new projections yield estimates of population ranging from 186 million to 193 million in 1965, and from 207 million to 228 million in 1975. These projections are especially valuable in the light they throw on changes in age groups; in broad terms, they show a tremendous and growing increase in children and young people of school age, a continuing decline in some of the age groups in the principal working years, and continuing increases in the group over 65 years of ago.

We are able to estimate the current population of the United States as a whole with a high degree of precision. In fact, the actual count in April, 1950, was only 1/20th of 1% smaller than our estimate based on births, deaths, and net migration from abroad. In a similar manner, the figures on natural increase in the States are very good, since they are based primarily on actual registrations of births and deaths.

Population Mobility

There is some variation among areas in birth and death rates. But only a small portion of the variation in rate of population growth among the States results from variations in rate of natural increase. For example, in the period from 1950 to 1954, the population of seven States declined and four registered increases of 18% or more. If the sole factor in population change had been excess of births over deaths, all except six States would have shown increases ranging only from 6 to 12%.

But the people of the United States do not stay "put." They move from house to house, from city to city, from county to county, and even from State to State. In any area the number of movers and migrants may be quite high without affecting the total population of the area. In some cases, however, migration results in significant changes in the population of the area. For example, current estimates indicate that in the four-year period from 1950 to 1954, out-migration exceeded in-migration by more than 10% of the 1950 population of each of the three States of Alabama, Mississippi, and Arkansas, and the total population in these three States declined by from 2 to 6%. In this same period in-migration exceeded out-migration by more than 10% of the 1950 base population of Florida and of the three western States of Arizona, California, and Nevada, and the population increases from 1950 to 1954 in these States ranged from 18% in California and 19% in Florida, to 31% in Nevada.

Urban-Rural Changes

Recent figures are available from the Current Population Survey on population changes in the urban and rural areas of the United States and in the total of the 168 standard metropolitan areas used in the 1950 census. In 1950, 56% of the population of the United States lived in these standard metropolitan areas. But these areas account for more than 97% of the population increase between April, 1950 and April, 1955. Thus, the standard metropolitan areas showed an increase of 11½ million inhabitants, or more than 13%, whereas the areas outside the standard metropolitan areas showed an increase of only 300,000 inhabitants, or about ½ of 1% during this five-year period. Furthermore, the central cities within the standard metropolitan areas accounted for only 1/6th of the total increase within the standard

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How Population Movement Creates Markets for Goods and Services

metropolitan areas during the five years, even though these cities accounted for close to ⅗ths of the standard metropolitan areas' total population in 1950. Thus, central cities showed an increase of less than 2 million persons, or less than 4%, whereas the suburbs of these cities showed an increase of 9.6 million inhabitants, or nearly 28%.

Exact figures are not available, but it is known that even the increase of less than ⅓ million outside standard metropolitan areas represents the difference between an increase of about 3 million in non-farm population and a decline of almost the same magnitude in the farm population.

The Bureau of the Census has not prepared estimates of the current population of the separate standard metropolitan areas. The following is quoted from a recent analysis by Rand-McNally and Company relating to population changes from 1950 to Jan. 1, 1955:

"In Florida and the Far West, rapid growth has characterized both metropolitan and other areas. Elsewhere, however, the two have shown an inverse relationship, with the least rapid non-metropolitan growth occurring in areas with the most rapid metropolitan growth. Both in the North and the South, metropolitan growth becomes more rapid as one moves westward from the Atlantic Coast into the Mississippi Basin. Non-metropolitan growth, on the other hand, has been greater on the eastern seaboard than in the interior. Very low rates of non-metropolitan growth appear in the western South, where cities are growing almost as rapidly as in the Far West. This combination of fast-growing cities with slow-growing countryside reflects the tendency for the cities of each area to grow by migration from within the area. However, other studies have shown that during the 1950-to-1954 period there was also substantial migration out of rural areas in the middle and western South and the Great Plains, principally to northern industrial cities and to California.

"Generally speaking, the most rapid growth has occurred in resort areas, in smaller cities in the West and South, especially those with military or naval installations, and in industrial centers specializing in aircraft and other military production. The least rapid rates are found in some of the smaller industrial centers, especially in the older eastern mining and textile areas."

Migration may have a different impact on various segments of the population. As an example, migration during the decade of the '40s accounted for 2.5 million persons, or nearly ¼ of the 1950 population of California. The relative importance of these migrants was not the same for all of the age groups within the State. More than 1 million of the net migrants were young adults between 20 and 34 years of age and accounted for 2/5ths of the 1950 population in this age group. The relative importance of migration was considerably less for teen-agers where it accounted for less than 3/10ths of the 1950 population. There is an erroneous belief that the advantages of California appeal primarily to older folks but migration accounted for only 126,000 persons, or 14% of all people 65 years of age and over in California in 1950.

Origin Shift of Migrants

We have the impression that the mobility of the population has increased in the postwar period, as compared with the prewar period. Perhaps some types of migration have increased. We have no early comprehensive statistics on migration during short periods of time. However, the Bureau of the Census has collected information on State or country of birth in the decennial censuses for many years. The census of 1950 showed that nearly one-third of the population was born outside the State in which it was living in 1950. In 1910, this proportion was slightly higher, but the composition of this group of migrants has changed drastically in the 40 years. In 1910, four out of every nine of the migrants were born outside the United States, whereas, in 1950, this proportion had fallen to two in every nine. The remaining 7/9ths of this 1950 group were born in another State within the United States. Thus, these figures indicate that the relative importance of outsiders in the population of various States has not changed significantly in the past 40 years. The outsiders nowadays are more likely to be from another State than from abroad.

Thus far, we have discussed only the net effect of migration on the total population of areas and on the age composition of the areas. But migration is not all in one direction. The grass in the other field nearly always looks greener. Furniture movers do quite a business in return loads. I'm sure that most of you share my experience as a member of a citizens association, of a professional organization, or of a social club. The membership committee is one of the most vital and most active committees in each organization. Even though I live in a relatively stable area, families are moving out and others are moving in, and it is a constant uphill fight to maintain the membership of an organization. In a corresponding manner, any marketing organization must inform the newcomers of its product and services, or it will lose its clientele. In every year since 1948, the Bureau of the Census has obtained information in the Current Population Survey on change in place of residence of each person during the year preceding the survey. These surveys reveal that in each year about 1/15th of the total population moves to a different county.

State Economic Area Changes

Similar information on change in residence during the one-year period was obtained in the 1950 census, and it also showed that 8¼ million persons, or 1 person in 18, changed county of residence during the year. For analytical purposes, the counties of the United States have been combined into 443 areas designated as State Economic Areas. About 6⅔ million of these migrants moved to a different State Economic Area during the year. But only about 180 of the State Economic Areas showed a net population increase due to migration, and about 3½ million of the migrants between areas moved into these State Economic Areas. In contrast, almost 3 million of the movers moved away from these areas of increase. Thus, a total of about 6½ million migrants moved between State Economic Areas to produce a net redistribution of a little more than ½ million due to migration in those areas with increases. Hence, on the average, 12 persons moved between State Economic Areas for each net change of 1 person in the net population of the separate areas.

A similar relationship is revealed if we analyze the movement of population among the four major regions of the United States in the year, April, 1949 to April, 1950. The 1950 census shows that a total of 1.9 million persons changed region of residence during this period. In general, this movement was to the West and South. More specifically, the net movement has been from the Northeast Region, consisting of New England, New York, Pennsylvania, and New Jersey, to the North Central States; from the North Central States to the West, and from the West to the South. A total of 1.1 million migrants followed these directions of movement. But a total of 900,000 persons bucked the tide and moved in contrary directions.

Mobility by Age Segments

Available statistics show that migration is not of equal importance for all segments of the population. For persons in their early 20's, the migration rate is highest for residents of hotels, rooming houses, and similar quarters, and those living as lodgers in private households. More than one in five of such persons changed county of residence during the year 1949-1950. Both the young heads of families and young wives of this age also showed a high mobility, with about one in seven changing county of residence during the year. The combined group of children and other relatives in their early 20's showed the lowest migration rate, with about 1 in 16 changing county of residence during the year.

The migration rate declined quite rapidly with age for all persons and for persons in each relationship group. Among persons 20 to 24 years old more than 1 in 9 changed county of residence in the year ending in 1950, with the rate declining with age to 1 in 40 among those 65 and over. One in 70 of the household heads or wives 65 years of age and older changed county of residence during the year, and only about 1 in 20 of the persons 65 and older, other than heads or wives, migrated during the year.

Of course, children usually move with their parents and, since the migration rate is highest for young parents, it is also highest for children under 5, with 1 in 16 children changing county of residence. The rate declines with age of child to 1 in 22 for children 14 to 17 years of age. In fact, the available statistics confirm the impression that families with children of pre-school age move to different quarters to provide better play space and schools for their children. But after this move is completed, families tend to stay

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put until the children have completed their schooling.

After the low migration rate for persons 14 to 17 years old, the rate jumps to 1 in 9 changing county of residence among all persons 18 and 19, as these youths leave home to attend school, seek a job, or get married. Thereafter, the migration rate declines with age to a low of about 1 in 40 for all persons 65 and over.

Employment status as well as family status affects migration. Unemployed persons looking for work showed greater mobility than employed workers. In 1950, about 1 in 11 of the unemployed had changed county of residence during the year, as compared to 1 in 20 of the employed workers. This relationship doubtless results from the fact that many persons moved to a different county in search of a job and some of them had not located a job at the time of the census. Furthermore, the new arrivals have less seniority and are more likely to lose their jobs if a reduction occurs.

Education Increases Migration

The statistics from the 1950 census show that migration increases with amount of education. They showed that county of residence changed during the year for 1 in 30 of the persons who had completed less than five years of elementary school, but for 1 in 11 of the college graduates. These statistics are restricted to persons 25 and over to avoid inclusion of persons still attending school or college. Younger adults have more formal education, on the average, than older adults; but, even within each age group, the college graduate is more likely to be a migrant than those who finished only grade school or high school.

It is obvious that job opportunities broaden with increased education, and college graduates are more likely to find it desirable to move to a different county in order to improve their economic position. This general conclusion is confirmed by the fact that the highest migration rate is shown by workers in professional occupations. Sales workers and proprietors and managers also show higher than average migration rates, whereas low migration rates are shown for male workers in clerical occupations, operatives, and kindred workers.

The fact that men with high incomes showed a relatively high migration rate is in line with the relationship to education and occupation which we have just discussed. The migration rate for men with 1949 incomes of $6,000 or more was substantially higher than for those with incomes of $2,500 to $3,000. But it is surprising that even higher migration rates were shown for persons with incomes of $500 to $1,000. This relationship between migration and income tends to exist within age groups.

Net Migration Composition

As previously indicated, between April, 1949 and April, 1950, there was a gross movement of nearly 2 million persons among regions in order to produce a net increase of less than 200,000 in the population of the regions that gained population because of migration. Even though the net difference between the number of in- and out-migrants may be small, the composition of an area might change because of the differences in characteristics of in- and out-migrants.

As an example, the South gained a total of 30,000 people from the North Central Region, this being the difference between 286,000 persons going south and 256,000 moving north. But the group going south included 24,000 non-whites, whereas the movers to the north included 27,000 non-whites. Thus, the North gained 4,000 non-whites from the South at the same time that it was losing 34,000 whites to the South.

In a similar manner, during the period from 1940 to 1950, the State of Illinois showed a net loss of 9,000 in population due to migration. But this loss is the result of a loss of 206,000 whites through migration which was practically offset by a gain of 197,000 non-whites. As a matter of fact, the net loss of 9,000 for Illinois from migration represents a net loss of 15,000 males that was partly offset by a net gain of 6,000 women.

We have reviewed the characteristics of the group of 8¼ million persons who changed county of residence during the year ending in April, 1950. A group twice as large, or 16½ million, moved to a different house within the same county during this period. Thus, about 25 million persons, or 1 in 6, moved to a different house in this one-year period. In every year since 1948, the group of intracounty movers has been about twice as numerous as the movers between counties. In some periods more than one person in five moved to a different house in a one-year period. Many of the characteristics of these intercounty movers are about intermediate between those of persons who move longer distances and those of non-movers.

Changing Markets

Thus, migration may produce a change in the character of a market without changing the size of the market. All of us are acquainted with areas of our hometown that have changed in character over the years. The section becomes less fashionable and its lower rentals appeal to a different economic or racial group. The portion of a city which offers the cheapest rent quite often serves the newest arrivals. The occupants of such areas change as the city appeals to a different group of new arrivals. There are areas of New York City that have appealed successively to the Irish and Italian immigrants, then to the Negroes from the South, and most recently to the newly-arrived Puerto Ricans. Entire markets are subject to similar but less drastic change.

Migration changes the character of a market. Furthermore, the act of migration creates markets. The most obvious is the market for moving and transfer, for the transportation of people, their furniture, and other physical belongings. But a high portion of the demand for refrigerators, ranges, freezers, and laundry equipment comes from families moving into new at at least different quarters. We have a tendency to overlook the fact that our favorite chair is becoming threadbare; that the rug is wearing thin near the door; that the lamps are wearing out; that the draperies are faded and dingy. When we move into a new house these facts become all too evident. The rugs and draperies won't fit. And thus, we are in the market for new furnishings and new equipment. Furthermore, a better job is often accompanied by a move to another city and the migration is a social one as well as a physical one. The old furnishings are not suited to the new position and to the new house, so the mover is in the market for new equipment and new furnishings.

In conclusion, I would like to emphasize:

(1) People are markets; therefore, marketeers are interested in the population of areas as a measure of markets.

(2) The population of areas changes, sometimes with considerable speed.

(3) The change in population of areas resulting from excess of births over deaths is relatively uniform; the volatile factor in population change is migration.

(4) The change in population resulting from migration may have a different impact on different portions of the market, on the various age, income, and other significant groups.

(5) The net change in population due to migration is the result of much larger gross movements. Thus, the specific persons forming a market may change, even though the size of the market has not changed.

(6) The character of the market may change because of differences in characteristics between in- and out-migrants.

(7) Markets for many goods and services are created by population movement or are associated with such movement.

Because of all of these elements it is essential that marketing experts keep abreast of changes in the size and composition of the markets that they serve and of the migration that is occurring among these markets.

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Continued from first page

As We See It

the "inverted saucer" seemed easily to be carrying the day, although there were a few who appeared somewhat skeptical of the plateau theory and expressed some uneasiness lest an inverted "V" make its appearance—which, of course, in ordinary language means a boomlet and a bustlet.

The new year has so far brought reports of a fairly sharp decline in the output of automobles. Inventories have apparently climbed sufficiently to cause manufacturers to keep production quite appreciably below last year. There are those who call all this "seasonal," but current forecasts for the year seem clearly to suggest that makers do not expect this year to match the record outturn of 1955. Another 7.9 million year was, however, hardly in the cards. The motor year would be very, very good even if it fell very appreciably short of last year's record. The cutback in automobile production may have very slightly eased the pressure upon the steel industry, but capacity operations are apparently the order of the day in that branch of the economy for a good while to come in any event.

Both Ups and Downs

A few other industries or branches of business also reported some slackening of demand or output, but there were some instances where current volume was above last year. Of course, this is a particularly difficult time of the year to interpret week-to-week changes in production and sales volume. The holidays, vagaries of the weather, and various other factors give the student trouble at this time. It seems safe enough, though, to say that nothing that has as yet come to light suggests any substantial or significant alteration or amendment of the general tenor of the optimistic forecasts made during the closing weeks of 1955.

It would, however, be a mistake to suppose that we shall not have very real problems to face in the course of this year, or that the way in which they are solved (or left unsolved) will not have much to do with the appearance of the year's accounts when they are finally closed or with the course of events in the years to come. The Chairman of the Board of Governors of the Federal Reserve System has recently called attention to the danger inherent in any belief on the part of this generation that it is "a lot smarter" than the leaders of the 1920's. What he seemed to be saying was that anything in the nature of a smug assumption that we had learned simple tricks by means of which we could and would banish depressions and other serious economic ills carried real dangers.

At any rate, there are certain facts which must not be lost to sight as the year progresses. For one thing, let us not forget that the construction of housing, the sale of automobiles, and in appreciable degree the large takings by consumers of various other types of durable goods have been supported, nay largely stimulated, by extraordinary if not unique rates of growth in credit, and that in substantial degree this credit has come directly or indirectly from the commercial banks. The banks have been able to accommodate these customers, as well as others who wished to expand inventory, largely by reason of the fact that they could borrow freely (if at higher cost) from the Federal Reserve banks and at the same time were able to find buyers for a very substantial part of their holdings of government securities.

Budgets and Outlays

There have been forecasts —which we hope can be fulfilled — of a balanced budget this year and next. In this event it may be that the commercial banks could dispose of further blocks of their governments without undue loss, but, of course, only the future can tell definitely about such things. In any event, the question is definitely posed: Can we safely permit consumer and real estate credit, particularly that part which comes from the commercial banks, to continue indefinitely to expand? Opinions generally appear divided on the subject. Ours is that we can not afford to do any such thing. In either case, though, we must come to the second question: Is the flow of consumer durables into the hands of the rank and file likely to go forward uninterrupted in the absence of further enlargement of outstanding credit? The same question arises about housing. It may be that a full continuation of the consumer boom this year can be attained only by endangering next year's business, or the next.

Several astute analysts have built their predictions of a continuation of a high rate of business activity throughout the year upon the basis of expectations of substantially increased government expenditures during the latter part of this year. They concede some decline in what they call

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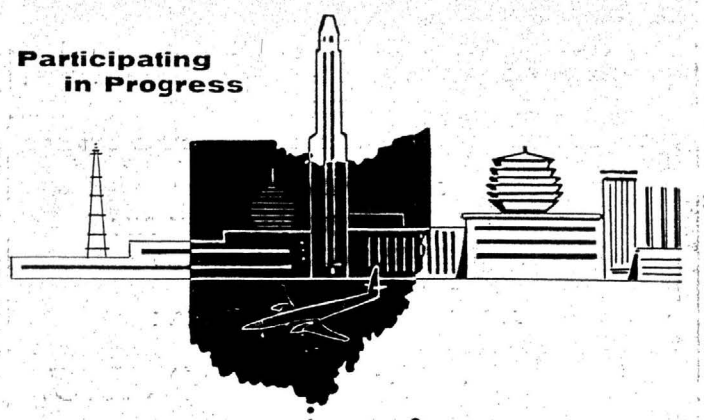

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the "private sector," but express the belief that increased outlays by government will keep the pot boiling. Such a belief does not appear quite consistent with balanced budget forecasts unless ways are found to carry heavier public expenditures outside the budget—which, of course, is very likely to be hardly more than a means of self-deception. This, of course, is a "political year," and the farmer is "on the prod." It is conceivable that payments to him by government, at least if they come directly or indirectly from the commercial banks (which theoretically at least could provide the funds without taking them from anyone else) would supply a stimulus for business. Gigantic road building could operate in somewhat the same way. Stepped up foreign aid, too, might have a similar effect. But there are obvious dangers in all these things.

The year ahead, exceptionally good though it be, will not be without its own problems.

Public Utility Securities

By OWEN ELY

Toledo Edison Company

Toledo Edison serves electricity to a compact 2,500 square mile area, with a population of 564,000, in the northern part of Ohio. The City of Toledo accounts for over half the population served, but there are 158 other communities in the area. Revenues are nearly all electric, with small amounts of heating and gas business. The company's electric revenues are about 35% residential and rural, 17% commercial, 40% industrial and 8% miscellaneous. The area is highly industrialized except for outlying farm territory.

Major industries are automobile and auto parts production, oil refining, steel and metal fabrication, glass manufacturing, etc. Oil companies in the area include Standard Oil, Sun, Pure and Gulf. Libbey-Owens-Ford, one of the largest industry units in Toledo, is spending $25 million on plant expansion, and Owens-Illinois Glass is also enlarging its facilities. Campbell's Soup is completing a $20 million plant at Napoleon, while other important food processors are Campbell Soup, Corn Products, General Mills and National Biscuit. General Motors has built (and twice expanded) a gray-iron casting plant in Defiance and recently announced that it would establish a plant in Toledo to make automatic transmissions, employing about 2,500 people initially. Republic Steel installed a powdered iron plant in Toledo a few years ago, and is expected to expand its operations in the area further. Industrial development is taking place along the Maumee River including new textile and glass fiber plants, etc. The plentiful water supply from the River and from Lake Erie is a factor in the industrial expansion of the area.

Toledo has been for years one of the nation's great ports, important to the coal, ore and grain trade of the Great Lakes, and a port of call for the smaller ocean-going freighters from abroad. Completion of the St. Lawrence Seaway should bring a substantial increase in foreign commerce. A Port Authority has been set up and Toledo and Lucas County citizens voted a tax levy to launch port development plans. The area's position as a transportation center was advanced by the completion Oct. 1 of the new Ohio Turnpike, the most modern limited-access superhighway yet constructed, as well as by completion of new Toledo Express Airport.

Industrial growth in the area has resulted in a gain of about 120% in revenues—from $17 million to $38 million—in the post-war period. Share earnings have increased from 26c a share in 1945 to $1.08 recently, but most of this gain occurred before 1949 when earnings reached 94c.

During this period plant account increased from $66 million to $161 million, a gain of 144%. Net generating capability was raised from 222,000 kw. in 1946 to 510,000 kw. in 1955, an increase of 130%, although during the same period peak demand increased less than 100%. With a peak demand of 374,000 kw. in 1955, the company had excess generating capability of nearly 37% over peak load, as compared with a U. S. average of around 19%. It looks offhand, therefore, as though the utility company had expanded somewhat overrapidly. However, the highly efficient new Bay Shore station will use only about three-quarters of a pound of coal per kwh., and will reduce average system consumption from 1.05 pounds per kwh. to .87 pounds, a reduction of 17%. Later perhaps these savings will be reflected in share earnings. BTU per kwh. has been reduced from 16,700 in 1946 to 13,074 in 1955 and an estimated 10,820 for 1956.

President Charles Ide recently forecast share earnings of only about $1 for 1956, even if all new financing takes the form of debt. But the company's interest to construction credit in the 12 months ended Sept. 30, 1955 had approximated 22c a share compared with only 7c a share in the previous period. It is understood that, with the completion of a 135,000 kw. plant in October last year, the interest on construction credit will be lower next year—probably back to 5-10c a share. Thus excluding the interest credit, the $1 forecast would represent a material improvement over 1955. On the other hand, it is lower than the $1.06 reported in 1952 and the $1.02 in 1954.

Capitalization as of Sept. 25, 1955 was as follows:

	Millions	Pct.
Long-Term Debt	$69.3	48.7%
Preferred Stock	31.0	21.8
Com. Stock Equity	42.1	29.5
Total	$142.4	100.0%

Toledo Edison's rate of return on invested capital, as reported by Standard & Poor's, has been declining in recent years. In 1954 it was only 6.0% but in two years jumped to 8.6%, probably accounting for the increase in share earnings from 26c to 78c. In later years it remained at lower levels, and since 1952 has declined from 6.8% to only 5.4% in the period ended Sept. 30, 1955. This would seem to be on the low side, considering Ohio's liberal state law, but much depends on the formula used in preparing the rate of return. In any event, there is no present indication that the company expects to ask for a rate increase.

The stock has been selling recently around 14½ compared with the year's range of 18¼-13⅞. Based on the estimated 1955 earnings of $1.10 and a dividend rate of 70c, the yield is 4.8% and the price-earnings ratio 13.2.

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Continued from page 3

A Sober Look at Supported Mortgages

few. Some would say there have been many more regrets about transactions abstained from. The second reservation — the relation between government credit commitments and general economic policies—is still a matter on which debate is common, and the position taken on it frequently depends a good deal on the point of view toward another issue, namely, the contribution that the continued and widespread strength of residential construction during the decade has had on the high and relatively stable level of economic activity generally.

In this decade, many other changes have occurred, and two of them should be taken account of here in considering the influence of the Government's commitments concerning mortgage credit on general economic stability.

The first is that the safety and liquidity of claims of the public on financial institutions have been further underwritten by the Government. Part of this development is the the dollar amount of deposits in commercial and savings banks that is insured has been raised, and another part is that the capital invested by the public in savings and loan associations has come to be regarded in practical effect as entitled to the same degree of liquidity as demand deposits in commercial banks. If we consider the more than $40 billion of conventional residential mortgage debt held by savings and loan associations, commercial banks, and savings banks as involved in Government commitments to maintain safety and liquidity of funds in these institutions, we find that about four-fifths of all debt on small properties is rather directly underwritten by the Federal Government on either the asset or the liability side of the ledger.

The second important change is that the Employment Act of 1946 states the policy that the Federal Government has a direct responsibility to preserve and promote conditions favorable to economic stability at high and rising levels of real economic output. Influencing the level of residential building is regarded as one of the ways in which this policy can be made effective and terms on Government underwritten mortgages are taken to be one of the tools by which the level of residential building may be influenced.

These, generally stated, are the major themes contributing to this discussion of Government mortgage credit commitments and economic stability.

Reduction of Real Economic Costs

One of the conclusions likely to be reached from a consideration of our first four themes is that real costs of owning, borrowing, building, and investing have been reduced—particularly to the borrowing home-owner, but also to owners generally and to other participants in the real estate market. Risk of loss to investors has been reduced, initial and continuing costs to borrowers have been reduced, speculative valuations and the costs of market imperfections have been minimized. All four together suggest reduction of real costs and thereby greater likelihood that high and rising levels of real output and consumption in this segment of the economy are that much more sustainable.

Our four themes are interrelated however, in complex and sometimes seemingly inconsistent ways, and the fact of interrelation is at times a matter of some importance. When we consider some of these interrelations, the fact of reduction of real costs becomes somewhat less self-evident.

One of the matters on which satisfaction has been expressed in recent months is that FHA and VA mortgages are traded in the highly integrated mortgage market we now have with litttle reference to the precise character of the property or the precise credit standing of the borrower which serve as security for the obligation. Reliance is put in the valuation and rating systems of the underwriting agencies — with some push supplied, perhaps, by the continuing pressures on investors to find outlets for investable funds. We need not question the government's ability or readiness to make good on its undertakings to wonder whether or how much real costs over time will be less in this situation.

The complaints that come to light occasionally at Congressional hearings, in conversations with people associated with building and mortgage lending, and perhaps from a little personal observation may suggest that "building down to standards" has taken the place of an earlier "building down to the market." Government underwriting has certainly not given rise to a preference for initial cost reduction possibly at the expense of lower ultimate and continuing costs, but it has in some cases provided a mighty authority for the practice and a handy recipient of blame. Whether marketability of mortgage instruments, established on construction standards that may come to be regarded as responsible for higher continuing costs, will turn out in the long run to result in lower real costs to owners, mortgage investors, the government, and even to builders, is not yet clear.

To the extent that borrowers may confuse experience with continuing costs attributable to construction standards with the nature of their mortgage undertaking, such experience may become an element of some importance if we should face a test of stability in residential real estate markets. Already the point of view has been expressed that, with the mortgagee so fully protected, the mortgagor might be permitted a little latitude.

Stabilization of Mortgage Repayment

Another conclusion that might be reached from a consideration of our themes separately is that borrowers' repayment of their mortgage debts has been regularized, both by the amortization process and by removal of the need for short-term second mortgages. This conclusion leads to its apparent corollary that the flow of funds to mortgage investors has been stabilized and made more predictable, and this, in turn, can be thought of as assuring a dependable source of funds for investment in mortgages or in other channels as the state of capital markets from time to time may indicate. To the extent that irregularity in the flow of investable funds has been a source of instability in the past, this development should improve the prospects for stability in the future.

The fact that amortization has permitted borrowers to put their finances in better order, substituting almost automatic outlays for sporadic disbursements, and the importance the monthly payment as against capital value appears to have assumed in owners' minds, suggests to some that mortgagors, as long as they have the income with which to make the payments, will not be greatly concerned about declines in real estate values. Such a state of affairs would also contribute to economic stability by minimizing the cumulative effects of a weakening market that we have seen in times past.

The fact of mobility, however, must always be kept in mind. At all times there are some families with incentives to change their accommodations. In making their decisions, they are likely to become conscious of capital values and to take them into account.

Estimates cannot be made with any feeling of great confidence about the amount of debt that is currently being repaid apart from amortization. There is good reason to think, however, that as much as two-thirds of the $15 billion of 1- to 4-family debt disappearing this year is by repayments other than amortization, and a large proportion of these repayments are made in the course of the sale of property.

If this estimate is even approximately right, it suggests several things: First, that the large volume of funds that mortgage lenders have had available to them in recent years comes primarily not from a stable and predictable flow of funds arising out of past decisions, but from a source that may be closely related to current decisions about the condition of real estate markets. Second, that a large part of this mortgage repayment—and of the demand for mortgage loans to replace those paid off—may depend on real estate owners and would-be buyers seeing eye to eye on real estate values. And third, that any appreciable reduction in the flow of funds attributable to a reduction of repayments of this nature, though affecting net positions very little, might have an

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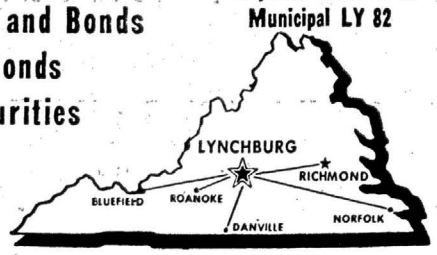

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appreciable influence on investors' feelings of liquidity and in consequence, their decisions not only about mortgage lending, but also about investments in other lines.

Another point worth noting in this context is that the use of second mortgages seems to be increasing, particularly in periods when mortgage terms available to borrowers are becoming less favorable. A major explanation of this rise in second mortgages is probably the purchase of houses subject to pre-existing mortgages without any legal change in the mortgagor. In such a case, the seller may "take back a second," this being one way of expediting the sale and perhaps of getting a higher price than otherwise. The inadequate information available suggests that incentives for the use of second mortgages are stronger in the case of government underwritten first mortgages than in the case of conventional, perhaps in part because of the greater time often required to close FHA and VA loans, in part because of the underwriting rules of the agencies, and no doubt for many other reasons.

Reduction of Imperfections in the Capital Markets

The broad acceptability that Government underwritten mortgages have attained among investors has undoubtedly meant that funds have flowed more readily from areas of concentration to areas of scarcity than they might otherwise have done. A good case can be made for the position that this has made possible both the new construction and the mobility of ownership required for reasonably smooth growth of developing areas and regions.

During this past year, however, we have had a sharp reminder of the sensitivity of market instruments to market influences. Less marketable instruments than FHA-insured and VA-guaranteed mortgages could hardly have been the object of such a rapid build-up of forward commitments as took place between the summer of 1954 and the autumn of 1955. The willingness of investors to commit themselves in the second half of 1954 to take FHA and VA mortgages—in some instances as late as the middle of 1957—added to a general economic revival, supported an unusually large volume of residential starts last winter, spring, and summer. As the interim financing of the loans written under these commitments put increasing strains on commercial banks and savings and loan associations, we had the apparent scarcity of mortgage funds about which so much was said and written during this past summer and autumn. However real or unreal you may judge this scarcity to have been, you should not overlook the materials shortages and price and cost increases which were real enough, and which are attributable in large part to the newly-attained marketability of mortgage loans and the large supply of funds for construction that this called forth early in the year.

Capital Values and Stability

Perhaps these questioning notes reflect overly close examination of a set of devices that so far has displayed many more good than bad features. No harm will be done, however, if we bear in mind a few points on which familiarity tends to breed forgetfulness. For a decade and a half we have been in a period of rising personal incomes, high saving, and nominal unemployment with only occasional and transitory reversals. This has been a period of active real estate markets and, despite strong alternative investment markets, ready availability of mortgage funds. In this period, consumers' feelings of well-being have developed and expanded, and this has led to confidence in the future, and a willingness to borrow from the future to a remarkable extent — to borrow for general consumer purposes as well as on real estate. Whether the resulting debt is supportable has been a subject of inquiry from time to time and seems again to be gaining in interest.

One of the great difficulties in assessing this question is that we can know with any great assurance only the past—including that recent past that is thought of as the present. Another is that — especially in this field — our knowledge of the past is so poor and, for many purposes, so irrelevant. Our judgements about the future are surmise, based in part on surmises about the past as well as on knowledge.

Among the judgments current today is that neither the debt nor the current claims made by the debt are unduly high relative to income. In other words, consumers have been as greatly in debt before and have still had sufficient income to spend for other things to keep the economy sound. Those who mention 1929 in this connection are quite properly reminded that the economy has changed in important ways since then.

An implied assumption in this line of inquiry, I should think, is that income, supported now as it is with various government compensating aids, is such a strongly determining influence as to permit neglect of such other elements as may affect developments. Before adopting this assumption it may be well at least to identify some of the other elements and see whether knowledge about them might qualify the judgment.

The one of these elements that I should like particularly to discuss is the possible influence of capital values on the soundness of the debt. I have referred to the proposition that, so long as a mortgagor can — let's say fairly comfortably — meet his mortgage payments and other charges of ownership, he cares little what happens—presumably within limits — to the market value of his property. That is, as long as his income stays up or rises, the mortgagor continues to be as sound a risk as ever he was.

What do we know about this proposition? Very little, I should think. Furthermore we are likely to find out little about it by direct inquiry. Few owners are likely to say, even to themselves, that should the market value of their houses go below the outstanding balances of their mortgages, they will take action detrimental to the mortgagee. We have little basis in the experience of the past for judging how mortgagors have behaved in fact. There is evidence, to be sure, from the now out-of-date 1930's to the effect that mortgagors took heroic measures to keep their houses in the face of large declines in values. I do not recall any very satisfactory evidence, however, on how successful they were. A hasty perusal of the Financial Survey of Urban Housing suggests that where, in 1934, the number of properties with mortgages greater than the 1934 value was large, the proportion of mortgages delinquent was also large.

Nor need we assume any disposition of mortgagors to "walk away from their mortgages" to see a role for capital values to play. I have also referred to mobility and the continuous turnover of ownership—which appears to be quite rapid now. From time to time owners want to sell—perhaps to buy another house, perhaps not —and others want to buy. In this situation, capital values can be disregarded only with difficulty. The seller who not only receives no cash from the buyer but is called on to pay the mortgagee cash to release the mortgage cannot be indifferent to capital values. This situation, clearly, is more likely to arise under the high-ratio loan—whether made up entirely of first mortgage or of first and junior together—than under less easy terms.

The effect of any such development on friends and neighbors

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A Sober Look at Supported Mortgages

who may have no desire to move and who may be perfectly able to "keep up the payments" should not be neglected. What the effect would be I do not know, but I suggest it is not, on the face of it, negligible.

Perhaps it is true then, that a decline in capital values could give rise to some debt problems without any worsening in owners' income positions. But is this not self-contradictory? How would such a decline take place without any worsening in owners' incomes? We have become so accustomed during the past decade to account in a summary way for the strength of housing demands under some such rubric as "high and rising consumer incomes, large amounts of liquid assets, and ready availability of mortgage credit" that it is easy to lose sight of the restraint that has been placed on changing tastes by the high degree of utilization of the housing stock. From time to time we have had short glimpses of adjustments being made in the market. In 1948-49 and again in 1953 reports were common that the market for some kinds of houses was weak. Very old houses, two-bedroom houses, badly-located houses were variously reported as selling slowly, or as over-valued, or even as vacant. But economic recovery was quick enough and extensive enough on those occasions to stop these adjustments before they became serious in themselves or gave rise to more general reactions.

This year, the Bureau of the Census has reported, vacancies in large apartment projects have been quite high, perhaps as high as in any defined segment of the housing market except the dilapidated. This may mean little. But also it may mean that people similar to those who in former years bought after debating apartment dwelling and house ownership will now, in larger proportions, rent. Whether this would result in a decline in the number and change in the kind of buyers to an extent significant for capital values is not at all clear. The point may, however, illustrate, one approach to the hypothesis that, once the sense of tightness diminishes in the market, dwelling units will not necessarily retain their present relative values. There is no requirement, however, that all real estate values decline uniformly to raise a meaningful problem.

If we agree that a problem might arise in this fashion, we have agreed to consider the possibility that capital values may play a role in determining the soundness of the debt, that mobility of ownership may help set the stage, and that neither the role nor the stage-setter requires ill-will or bad faith on the part of mortgagors.

If the problem is limited within the confines of changing relative values without a general decline in property values, is it not bound to be relatively unimportant? This may be the case, as it was in 1948-49 and in 1953. But although a problem could, perhaps, start without a general decline, it would not necessarily end there. Adjustments in prices presumably cause buyers to reconsider their preferences, and many models could be constructed—though not by me—to estimate the outcome. I find it sufficient to think that the degree of tightness of supply will influence the extent and sequence of any declines we may experience. Worth thinking about, too, is consumers' attitudes toward their future incomes as well as their current incomes. Does the prospect of stability of income rather than continued rise affect consumers' decisions about capital values and debt?

Perhaps we have gone too far afield into fascinating but frustrating speculation about how real estate adjustments might take place. In any case, we are in a position to return to government credit commitments and to raise some questions about how they might influence or be influenced by these hypothetical developments.

What to Stabilize?

To the extent that appreciable declines take place in values of properties mortgaged with FHA-insured or VA-guaranteed loans, the mortgagees will suffer little loss. In many cases, the agencies will become the owners of the properties and eventually may have claims against the former owners. Here we may note that the situation will be somewhat different in the case of other property owners and mortgagees similarly situated except for the fact that the mortgages are not government underwritten. In most cases, with lower loan-ratios, the owners will bear any loss, and this loss will generally be realized in the course of a sale to a buyer who will find himself, at least temporarily, on a sound footing. In some cases, however, the holder of a second mortgage will bear the loss, perhaps with a claim against the former owner.

Something will now depend on both the magnitude of the whole development and the policies followed by the government agencies. If the whole thing is small, the government's policy makes little difference except to its own accounts. If it is larger, and if the government's holdings are appreciable, disposal policies are likely to be important for its own accounts, for defaulting debtors, for other mortgagors, and even for owners with clear title.

Are there obvious policies the government can adopt and be sure that its influence will be toward stability in the market? We may note that two main objectives of policy might be set up: First, to aid in an adjustment of relative values that is clearly in process so as to achieve a sustainable structure of values; and second, to minimize mortgage defaults. Other objectives might also be set up, such as minimizing habitable vacancies, but for the present, let us consider this pair.

To achieve the first objective might well call for prompt recognition of new price levels; but a decision to sell at going prices as these develop rather than hold for a possible improvement in the market could be expected to influence the prices received by other mortgagors, and by owners free of debt. It might also affect the subsequent foreclosure experience of the agencies themselves. To achieve the second objective might call for price maintenance and a long holding period, with constant decisions to be made about whether to keep properties vacant or to rent them, and if to rent, at what rents.

With, and perhaps in advance of, decisions on these matters the agencies would have to make decisions about the terms on which they would insure or guarantee additional mortgages. In pursuance of the first objective—aiding price adjustment—they might decide to be restrictive, again with price effects on the whole market. Or, in pursuance of the second—maintaining the soundness of the debt—they might decide to be liberal, and in this case also have price effects and perhaps become insurers and guarantors of a large proportion of refinanced mortgages.

We need not assume that any one of these policies is adopted uniformly for all markets or is continued unchanged through the whole period of any difficulty. Nor need we assume that any problems we may anticipate will arise because it is government agencies that have to cope with the situation. Any private institution or group with a stake in both ownership and mortgage debt that found itself in a position to sell or hold enough properties to influence the course of developments in a particular market would face very similar problems.

As long as the difficulties are minor, a skillful—perhaps intuitive—dealing with day to day developments might work out very well. Even a major difficulty might become minor under such an approach. The fact still remains, however, at least for analytical purposes, that if market forces give rise to appreciable changes in relative prices (leaving aside the problems of a general decline in prices), the extent and composition of the mortgage debt is such that conflicts are very likely to arise in defining the stability that is to be sought.

In a situation of this kind, what would appropriate policy be toward financing of new construction? The kind of market we are considering is a little different from what we have experienced in the past few years. The pressure for housing at going prices and on current credit terms is not so great, and a reasonable expectation might be that consumers are comparing old and new houses more carefully. Perhaps one of the developments would be that at least in some markets and in some price ranges, new houses could not be built for the prices being set in the market for old houses that consumers judged to meet their needs just as well. I shall not try to spell out here how such things as carrying charges, alternative rents, and prices strictly defined have to be taken

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LET'S LOOK AT THE RECORD . . .

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account of in interpreting "price" for this purpose.

In taking account of the objectives of the Employment Act, should the government make special efforts, by whatever means it has available, to keep housebuilding and new house sales at high levels in the interests of income and employment? Or should it regard further additions to the housing supply as complicating the value and debt problems it and others are already facing? Again, degree and circumstances will make a difference, but intelligent day-to-day management will require careful consideration of the emphasis to be given to the several objectives of stabilization.

Desirability of Knowledge

Any disturbing tone that these remarks may have can, I hope, be attributed to the fact that the reassuring aspects of Government mortgage commitments have been brought to attention on many occasions and are reasonably well known, so that extended discussion is not necessary here. Furthermore, many administrators and others are by now skilled in the details of these aspects, and can answer most questions about them.

I hope I have indicated that, concerning other aspects, there are questions that at least I cannot answer including, in large measure, the question whether these other aspects even exist. On the assumption, however, that the possible problems raised here are neither frivolous nor based on too great ignorance, I shall like to try to sum up by suggesting some questions which, as a research analyst, speaking I hope, to a research-minded audience, I am inclined to think research might help us understand.

We have estimates, good within tolerable limits, of the amount of residential mortgage debt outstanding, of the amount that is directly Government underwritten, and of the amount held by the major types of holders. We have only the most rudimentary guesses, however, about the distribution of this debt among housing markets or types of property, and about the values of the mortgaged properties or how prices of these properties are changing. Economic changes affecting real estate take place in local markets, and in significant respects, developments in some markets do not offset contrary developments in others, regardless of the fact that statistics may be averaged. An addition to understanding then, might be to know how values are changing relative to debts for important classes of properties in important market areas, as well as to know how incomes and liquid assets of debtors are moving relative to mortgage and other debts.

Do new houses compete for buyers with old owner-occupied houses or with apartments and rented houses? From market to market the answer may be different, at least in degree (and these are questions in which matters of degree count); on the answer may depend whether, and with what weight, we should pay attention to rents and vacancies, or to house prices and credit arrangements in assessing the ways in which new building and the standing stock of houses react on each other.

How are relatively new houses faring in the market relative to others? Is there any difference between the new houses built to Government standards and those built otherwise? Is there any difference between what sellers of the two groups think of as their acquisition costs? Do any such differences influence owners' and sellers' attitudes toward their debts and toward the market?

Clearly the mortgage debt is being repaid. The rise in outstandings in any period is smaller than the amount of loans made. How is it being repaid? By whom? Under what circumstances? Investigation of these questions might throw light on developments both in real estate markets and in capital markets. We do not know, for example, how much of the current gross repayment is amortization and how much is repayment of other kinds, notably that which usually takes place on the sale of a mortgaged house.

I think this audience will realize that interest in such questions is not evidence solely of a mania for classification. Admittedly inadequate studies of the subject suggest that, on the whole, the debt is becoming younger on the average, and that the proportion of the debt being repaid by amortization has been declining. If this is so, the proportion of the debt being repaid for other reasons, such as sales of houses, has been rising rather rapidly. Leaving aside the possibility of a rise in delinquencies and a consequent reduction of amortization payments below the contractual level, what would be the effect of a decline in repayments arising out of a decline in real estate transfers? The flow of funds to mortgage investors from this source would decline, but mortgage portfolios would presumably continue at a higher level by the same amount. Would investors' decisions be unchanged, or would they feel the loss of freedom to adjust from time to time the balance of their portfolios among different types of investments? The amount of transfer activity to be financed would be smaller, but even if investors made no attempt to change the composition of their portfolios, would they make their smaller flow of mortgage funds available on unchanged terms? It is tempting to conclude that, to the extent that the net position would not change, there would be no reason for changes in the gross. Such temptations should be withstood, at least until some evidence is available that nets and grosses behave alike.

Do these questions and others like them have anything to do with the subject of this discussion, "Government Credit Commitments and Economic Stability?" My questions have been directed primarily at elements of developments that could conceivably give rise to instability, for it seems to me that some attention to such matters is necessary before we will find ourselves in a position to make any conscientious assessment of what is at once a more general and a more specific subject. One thought, for example, that comes to mind as I look back on the development of this paper is that the title of the discussion may very well have in most of our minds a subtitle along the lines: "The Role of FHA and VA." Yet if the first major development should be lower levels of transfer activity, accompanied by lower levels of debt repayment and smaller flows of funds to investors, a subtitle with a more appropriate focus might turn out to be: "The Influence of Assurances of Financial Liquidity." Perhaps even with more knowledge we would not be in a position to foresee such a turn of events. I doubt, though, that we should be able to foresee it with our present knowledge.

I hope it has been clear that the questions I have tried to raise here, and the topics I have suggested for study, do not assume any broad deterioration of real estate markets attributable to a general decline in economic activity. The questions arise naturally, at least to one observer, out of what little we know about real estate markets and how they are financed, and what we can guess might be further development of processes that have been under way for some time. Perhaps I shall be excused for thinking that, if we could develop a better understanding of these modest questions we would be in a better position to think intelligently about the very large ones.

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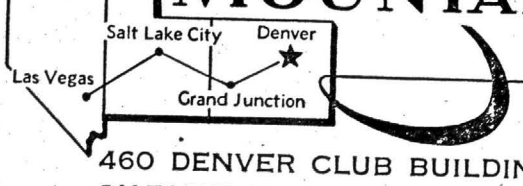

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Business and Finance Speaks After the Turn of the Year

Continued from first page

about itself and up-to-date policies in keeping with its strength and growth potential.

We have curbed inflation, avoided deflation and encouraged initiative and expansion which have developed into the greatest period of prosperity that our fast-growing, now un-hobbled economy has ever known.

Barring unforeseen developments, we will have a balanced Federal budget in the present fiscal year. The anticipated deficit of the Government for fiscal 1956 was $1.7 billion at the time of the mid-year review last July. If present estimates are realized, we will have a balanced budget for this fiscal year ending June 30, 1956.

Our prosperity didn't just happen. It was brought about by the confidence of the American people in the Eisenhower Administration and the favorable climate which has been created for 166 million free Americans to exercise their own initiative and endeavors to the full limit of their abilities to improve and better the lives of their loved ones and themselves.

The Administration's program promised a new, a better day, not for any particular segment of the population but for all the people. We have seen that day dawn. It is just the beginning if we can continue to achieve national unity and improve the lot of the farmer, about the only large segment of our population still suffering from the over-hanging effects of past unrealistic Governmental programs.

We have the greatest productive machine the world has ever seen. It is expanding rapidly. From the apparently unfailing spring we call research flows a stream of new ideas and new products, resulting in new opportunities and new wealth for everyone.

We have set new records in almost every way in which good times can be judged and measured. Employment last summer reached 65.5 million for the first time in history. Unemployment declined in October to 2.1 million. The dollar has been stable for three years; wage earners have been getting real wage increases instead of the "cost of living" wage increases of the previous several years.

How long this high prosperity will continue without getting into the excesses of either inflation or deflation depends upon what 166 million Americans do.

If all Americans — workers, producers, businessmen, consumers, and investors—all go ahead and work and buy and build and improve with confidence tempered with prudence, this nation will continue to be even more a nation of "haves" enjoying new peaks of prosperity in business, production, and wages and constantly higher standards of living—for all the people.

HERBERT ABRAHAM

Chairman, The Ruberoid Co.

For the tenth successive year, the dollar value of new building established a new record in 1955 by rising to $42.2 billion. It is expected that this figure will rise again this year by about 5%. This rise is forecast by both public and private agencies despite indications that the number of new, non-farm housing starts will decline about 100,000 from 1955's 1,300,000 units. The increase will come from greater activity in commercial, industrial and institutional construction and from greater concentration on bigger and more costly homes. Farm building will probably continue to be depressed and is expected to fall off about 4%.

Herbert Abraham

Although building of almost every kind has gone forward at a so-called "boom" pace since 1946, the mammoth task of assuring every American an adequate standard of shelter is far from completed. We have eliminated the great backlog of housing need which accumulated during the depression of the 1930s and World War II, but new demands arise as the country grows. Our rising population, the tendency for people to live longer, the movement of families from one section of the country to another all create requirements for buildings each year. In addition, more people are seeking better living conditions; and slum clearance and neighborhood improvement are becoming a sociological and economic necessity.

As important as new building is maintenance and repair of structures already built. Our existing building stock must be kept in good condition if it is to remain habitable and this is a task for builders and building material manufacturers that is never done. As new units are added each year, the need for repairs, enlargements, renovations and routine maintenance becomes greater and greater.

Because of these factors it is likely that the basic demand for building will be strong throughout 1956 and activity will remain at a high level as long as consumer income is high and mortgage credit is available on attractive terms.

MORE STATEMENTS IN SUBSEQUENT ISSUES

Quite a number of statements either were received too late for publication in today's issue, or for mechanical reasons, could not be accommodated herein. These will appear in the "Chronicle" of Jan. 26.—EDITOR.

MALCOLM ADAM

President, The Penn Mutual Life Insurance Company, Philadelphia, Pa.

A year ago practically every forecast was bullish and the prophets of "doom and gloom" were no longer in evidence. In 1955 the accomplishments in the life insurance business justified the forecast. Sales of ordinary life insurance were up almost 20% to a new record high, and, if we can judge the mortality ratio for the industry upon the experience of The Penn Mutual, we find it was at a record low. Only in interest earnings is the picture not as bright. True, due to the actions of our monetary authorities and to the boom conditions in industry, more attractive investments were available in 1955 than in the preceding year, but to change materially the average interest rate earned on a life insurance company's entire investments requires a great many years. Before income taxes, the rate earned on life insurance company investments in 1955 was about 3.55% which is nine basis points over that of 1954. After taxes, and this is the rate which is important to policyholders, the 1955 figure is not yet known and will not be until the income tax rate is determined early in 1956. The 1954 rate was 3.24% after tax.

Malcolm Adam

Looking into 1956, and assuming no new international difficulties, there appears to be great demand for new industrial plants and equipment, more schools, better highways and improved governmental and institutional facilities, such as water works, sewers and hospitals, which should more than take up any slack resulting from a slight slowing down in the automobile and housing fields. If, as is generally expected, personal income reaches new highs, we would also expect sales of life insurance to reach new highs, particularly as the overall life insurance protection for the country as a whole continues at the equivalent of only about one and one-third years' income.

Thanks to improved medical facilities and research there is every reason to believe that 1956 will be another healthy year for our population which will result in a low rate of deaths.

An uncertain area is the level of interest rates. In spite of the credit restraint of monetary authorities, interest rates are on the low side for long-term high quality securities of the type which life insurance companies like to buy. There has been much publicity as to the tightness of money and its "high" cost, but we know of no important financing by a conservatively capitalized and profitably operated firm which has been blocked by the interest cost of money. One vital reason for this is that with the corporate tax rate at 52%, the net cost of 3½% interest to a corporation is less than 1¾% and at 5% it is less than 2½%, very low net costs indeed.

We anticipate the bulk of the funds of life insurance companies in 1956 to flow into real estate mortgages, where the yield is slightly higher than a year ago and into so-called term loans to corporations, which are in the nature of long-term bank loans. Smaller amounts will be put into investment real estate, tax-exempt revenue bond issues and publicly offered corporation bonds.

Summarizing, we look forward to another good year with a further increase in life insurance sales, continued excellent mortality and a slight improvement before income taxes in interest earnings.

K. S. ADAMS

Chairman, Phillips Petroleum Company

We are entering 1956 from a year characterized by a high rate of growth in business activity. The petroleum industry, although consistently more dynamic than the industrial average, operates as an integral part of the nation's economy. Any forecast of the industry's position must therefore take into account the total economic view. The general outlook for business in the United States this coming year is good. Total capital outlay by industry in 1956 likely will be higher. More than a hint of inflation threatens as wage increases tend to exceed increases in productivity.

K. S. Adams

Total United States petroleum demand in 1956 is expected to register a more normal gain of 4% to 5%, following an interruption of this growth trend in 1954 and the greater-than-normal gain of over 7% in 1955. Gasoline and distillates, which account for two-thirds of demand, will lead the way with increases in proportion to continuing growth in consuming units.

Petroleum-based chemicals will enjoy another good year with uses continuing to broaden and growth in demand well-sustained. Plastics, particularly the newer discoveries, have an exceptionally bright horizon. Demand for rubber seems certain to exceed the available supply, and capacity output of petroleum-derived synthetic rubber appears certain even with some substantial plant expansions now under way. Carbon blacks will undergo a similar experience. Synthetic fertilizer demands will continue upward despite the unsettled farm situation.

STANLEY C. ALLYN

President, The National Cash Register Company

The National Cash Register Company is completing its best year, both for domestic and overseas. Incoming orders and shipments will top 1954 by more than 15%. Earnings will also set a new record. Total sales for 1955 will approach $300,000,000. Less than ten years ago, in 1947, we first reached $100,000,000 in sales. Four years later, in 1951, we passed $200,000,000. From there in another four years, we have gone to the $300,000,000 mark. In short, it took us 63 years to reach the first $100,000,000; four years for the second and four more for the third.

Stanley C. Allyn

More than one-third of our 1955 volume is represented by overseas sales which will total over $100,000,000. This compares with overseas sales of approximately $15,000,000 before the war. Our 1955 record reflects the good business conditions which existed in Europe and other parts of the overseas field in 1955. NCR overseas factories achieved record production. Two additional factories are under construction, one in Japan and one in Brazil.

New models and new products were an important factor in the sales record for the year. Expenditures for capital improvements were the largest in the history of the company, and will be greater in 1956.

Contracts for two new defense items have been secured. These will go into production in 1956 and will result in some increase in employment.

The trend toward mechanization and automation in the business office and the retail store is the most important factor underlying our sales growth. In every type of business the increasing cost of clerical work is one of the most serious problems facing management.

A shorter work week, overtime premiums, higher wages, the high price of employee benefit measures and a growing volume of record keeping have combined to create this situation. Fifteen years ago there were 10.8 clerks for every 100 employed people, today there are more than 16.

Last year (1955) the sale of labor saving machinery for office use amounted to $1,000,000,000. This represents hundreds of thousands of individual units, which collectively made possible far-reaching savings in clerical man hours. Nevertheless, while business was doing more to mechanize than in any previous year, the number of clerical employees continued to increase. With approximately 8,500,000 clerical workers, the total is now at the highest point in the history of the country.

There is no reason to expect these conditions to be modified during the years ahead. The interest of management in mechanization is therefore likely to be intensified and demand for labor saving equipment increased.

Two new accounting machines recently announced should make an important contribution to 1956 sales. One is a bank posting machine which automatically picks up the old balance on an account through the use of electronics. This machine will revolutionize the handling

Continued on page 42

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Continued from page 40

of commercial checking accounts, the biggest single accounting job in the world.

The second machine is designed for savings banks. It marks the first use of a tape punching device linked with a conventional posting machine. This principle will be extended to other types of National products and will tie them in with the electronic systems of the future.

There is every reason to anticipate good general business conditions in 1956. With a growing need for National products, new models and a good business climate, we are looking forward to a most satisfactory year.

A. C. ASHFORTH

President, The Toronto-Dominion Bank, Toronto, Can.

All the economic indicators suggest that 1956 will be another record year for Canadian business. The Canadian economy enters 1956 riding a boom of unsurpassed dimensions. Business activity during the first half of the year is likely to achieve new records but doubts exist as to whether the present pace of expansion can be maintained throughout the year. Indeed, it would be surprising if there was not some leveling off in the latter part of the year since the rate of growth in 1955 was abnormal.

A. C. Ashforth

Business looks for record sales and higher earnings. Wage and salary payments are expected to increase. Consumer spending should continue to expand. The export outlook, except in the case of wheat, is regarded as favorable. Capital investment in new plants and machinery will probably exceed all previous levels. There are, of course, points of weakness. First, there is the danger of inflation. Recently there has been some evidence of inflationary forces gaining strength and these pressures are likely to increase rather than diminish as the economy is operating at near capacity level. Shortages of materials and some types of labor are already apparent. Secondly, Canada's huge surplus of wheat presents a very difficult economic problem. Thirdly, the growing disparity between farm and urban income is disturbing.

These same problems exist in the United States and underline the similarities of the Canadian and U. S. economies. The close relationship of economic trends in Canada and the U. S. has been the subject of much comment but it should be noted that while the trend lines may move in the same direction differences do occur in the extent of the upswings and downswings.

The decline in business activity which has come to be known as the 1954 recession got a later start in Canada than in the U. S. Furthermore, the drop in Canada was not as severe. In the upswing, the U. S. again led the way, getting off to an earlier start, but the upsurge in business activity in Canada has been even greater than in the U. S. Preliminary estimates indicate that Canada's Gross National Product rose 10% in 1955 while that of the U. S. was up only 7%.

The increase in industrial activity has been reflected in a stronger demand for bank loans. However, credit in 1956 will be tighter and more costly. The Bank of Canada, through an increase in its discount rate, has taken steps to curtail credit expansion whereas a year ago its policy was one of easy money.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

Railroad traffic volume during 1955 has shown a marked improvement over the previous year and from all indications should continue at present levels through 1956. The carloads handled by Wabash Railroad Company in 1955 were 10.57% above 1954 and 5.09% above 1953. Total revenues for 1955 show an increase of 7.86% over 1954. As the accounts for the year are not yet closed, the net income data for 1955 is not available. The recent substantial increases in wage rates granted to the railroad brotherhoods, combined with rising costs of material and supplies used in our industry, will greatly affect the future net earnings. Under the circumstances it has become necessary for the railroads to seek a 7% increase in freight rates.

Arthur K. Atkinson

To the greatest extent possible, the railroads are going ahead with their modernization programs so as to be fully prepared to serve the growing transportation needs of the nation. For the Wabash system, which has been fully dieselized for several years, we placed orders during 1955 for the earliest possible delivery of nine additional diesel-electric locomotives and for 3,634 new freight cars at a total cost of nearly $33 million. Some of this equipment is already in operation. In just the past six years our gross expenditures for improvements to road and equipment properties total nearly $96 million.

A large part of our expenditures since 1950 qualified as defense facilities on which 60-month writeoffs are permitted for Federal income tax purposes. This has been most helpful in financing the improvement program but the privilege of such rapid amortization will not be available for new projects starting in 1956. We know if we are to keep pace with present trends in America's economic growth, we will have to continue our improvement programs with even greater expenditures. In the face of rising costs this will prove a real challenge to improve operating efficiency through adopting better methods and securing greater traffic volume.

Improvements and innovations in railroad service are getting special attention. We have speeded up passenger and freight train schedules. We are studying proposals to acquire new passenger and dining cars to bring all passenger operations up to the "Blue Bird" standard. Our signal and communication systems are being modernized and train yards enlarged and streamlined. New methods and machines are being installed in the Maintenance and Accounting Departments to hold the line on operating costs. The demand for our "Piggy-Back" service, inaugurated in mid-1954, has already required us to double and to re-double our ownership of special flat car and trailer equipment and we are now extending through service beyond our own lines by developing working arrangements with connecting railroads. New industries are building plants in numerous locations on our railroad and we are actively planning many other sites that offer attractive opportunities for both large and small industries to avail themselves of dependable railroad service.

The prospects for a general overhauling of the Federal Interstate Commerce Act and regulations were never brighter. There are now pending before Congress measures designed to carry out the recommendations contained in the Cabinet Report on Transport Policy and Organization. If full hearings are given, railroad men are confident that longstanding inequities in the transportation industry will be removed. The result will be freer competition among the regulated carriers leading to more progressive and economical service to the public.

J. L. ATWOOD

President, North American Aviation, Inc.

Though unit production of military aircraft will decline slightly this year as compared with 1955, higher costs per unit and greater government spending for supersonic, unmanned missiles will probably combine to give aircraft manufacturers a total 1956 sales volume about equal to the $8.4 billion gross sales estimated for 1955. Government officials have indicated that the military aircraft procurement program is now shifting from the build-up phase to a new phase involving maintenance of existing forces through gradual replacement of obsolescent equipment.

J. L. Atwood

We expect North American Aviation, Inc., to obtain a reasonable share of this business because of our diverse activities. Our net sales in the current fiscal year, which started on Oct. 1, 1955, will probably equal those of last year, when they totaled almost $817 million, an all-time high. Our net income of $32,349,176 last year was also a record high, but this profit is subject to later renegotiation under the Renegotiation Act. Actually, our restricted rate of profit on sales, though slightly higher than in 1954, was only about half as high as the average for all manufacturing industries in America.

The bulk of North American Aviation's business continues to be the development and manufacture of aircraft for the armed services. This year we will be making the FJ-4 Fury Jet fighter and the T-28C trainer for the U. S. Navy and one model of the F-86 Sabre Jet and two models of the supersonic F-100 Super Sabre Jet fighter for the U. S. Air Force. Our F-86 Sabre Jets willl be built under license by four foreign countries: Canada, Australia, Italy, and Japan.

We formed new operating divisions recently to further develop our work over the last 10 years in fields allied to our aircraft business. These fields include rocket engines, guided missiles, electro-mechanical products and peaceful applications of atomic energy. Each division has, we believe, substantial potentialities.

Rocketdyne, which recently moved into a new $9.5 million plant in Canoga Park, Calif., is active in the design, development, manufacture, and testing of rocket power plants for aircraft and missiles; in the design and development of small armament rockets for aircraft; and in all related research and experimentation in fluid dynamics, thermodynamics, chemistry, and metallurgy. Formerly a part of North American's missile organization, the Rocketdyne Division is now the nation's leading designer and developer of high-thrust rocket engines.

Our Missile Development Division is concerned with other phases of supersonic unmanned vehicles, including the design, engineering, and development of missile airframes and the operational testing of complete missile units. It is currently working on the intercontinental SM-64 Navaho and is engaged in a number of other missile studies and proposals.

Atomics International is an outgrowth of our earlier studies of nuclear energy as a source of power for missiles. Its efforts are concentrated on the design, development, manufacture, and operation of nuclear reactors for peacetime research and for the generation of power. Now the third largest organization in its field, it has built or contracted for seven reactors so far, including America's first medical reactor and first private industrial research reactor. In cooperation with the Atomic Energy Commission, Atomics International soon will complete construction of the important Sodium Reactor Experiment, a pilot plant for the production of electricity from nuclear energy.

The development, engineering, and manufacture of automatic navigation and control equipment for aircraft and missiles has been concentrated in the Autonetics Division. This division is now producing the weapons control system for the F-86K Sabre Jet interceptor, and is developing other military electronic systems and devices and various automatic control devices for use in industry.

C. L. AUSTIN

President, Jones & Laughlin Steel Corporation

Nineteen fifty-six promises to be an active year in the steel industry. Our own company production schedules, as far into the year as we are able to plan, reflect a full order book. For several months the demand in most of our product categories has been greater than our ability to supply. We have not so far seen much if any indication of growing inventories of steel. Our own stocks of semi-finished steel on hand and in process are for the most part below the level for most economical operation in our plants.

C. L. Austin

The year 1956 will mark the first full year of another very large capital building program for our company. Early in 1955, we determined that we should proceed forthwith on a series of large projects designed substantially to revamp and extend the scope and capacity of our tubular products production facilities. To this end we are now going ahead with the installation at our Aliquippa Works of a new continuous strip mill and four new pipe mills, as well as equipment for the production of additional steel using the new oxygen blown converter process.

Somewhat later during 1955 we concluded plans for our Cleveland Works to provide for a new blooming mill; a substantially enlarged and improved hot strip mill; a new high capacity cold reducing mill; substantial finishing and shipping facilities for hot and cold rolled sheets; and new electric furnace steelmaking capacity.

The combined added steelmaking capacity at our Aliquippa and Cleveland Works will amount to over 700,000 ingot tons per year—more than an 11% increase. The cost of the program when added to the projects already authorized and to be authorized will aggregate in excess of $250,000,000 for the period 1955 to 1958 inclusive. This program will bring to approximately three-quarters of a billion dollars our expenditures for plant and equipment since World War II.

Summarizing my views for business during the coming year, I must say that the combination of our customers' large requirements as presently indicated and our own very much enlarged activities in the construction and capital equipment field gives strength to our expectation that 1956 will be a very active and, we hope, a prosperous year for the American economy. We place great faith in the continuing need for a profitable, expanding steel industry to meet the ever-growing demands for better living by the people of our country.

WALTER C. BECKJORD

President, The Cincinnati Gas & Electric Company

We enter the new year with optimism for the continued growth of the Greater Cincinnati area and a pledge to adequately meet its gas and electric requirements. Our investment in additional property, plant and equipment, at original cost, in the nine years ended in 1954, was approximately $181,100,000, as compared with the company's total investment of $127,200,000 at the end of 1954. During that nine year period the added investment exceeded the investment accumulated in the company's entire previous history by $53,700,000.

Walter C. Beckjord

Further evidence of our faith in the future growth and prosperity of the 2,600-square mile area we serve can easily be seen in CG&E's construction and expansion program for 1956-57.

More than $63 million will be spent in the next two years for plant and equipment. It will include the construction, by the end of 1957, of the fourth electric generating unit at the Beckjord Station, bringing that plant's capacity to 500,000 kilowatts and our total electric system capacity to more than 1,100,000 kilowatts.

Because of long range planning of this type, we at CG&E feel certain we can adequately supply our present customers and stand ready to provide power for any new industry deciding to locate in our service area.

We expect our electric customers to increase on an average of about 2½% each year, and that by 1960 our customers will be using over 50% more electricity than used during 1954.

Growth in gas customers and sales also is likewise anticipated. Our long range forecast for the company's gas department indicates an increase of customers at a rate of more than 2% per year and that their 1960 consumption will be more than 43% greater than that of 1954.

In the next five years, CG&E expects its electric peak requirements to reach 1,036,000 kilowatts. In 1945 it was 374,000 kilowatts.

By 1960 the company's gas sendout is expected to be more than 550 million cubic feet as compared to 113

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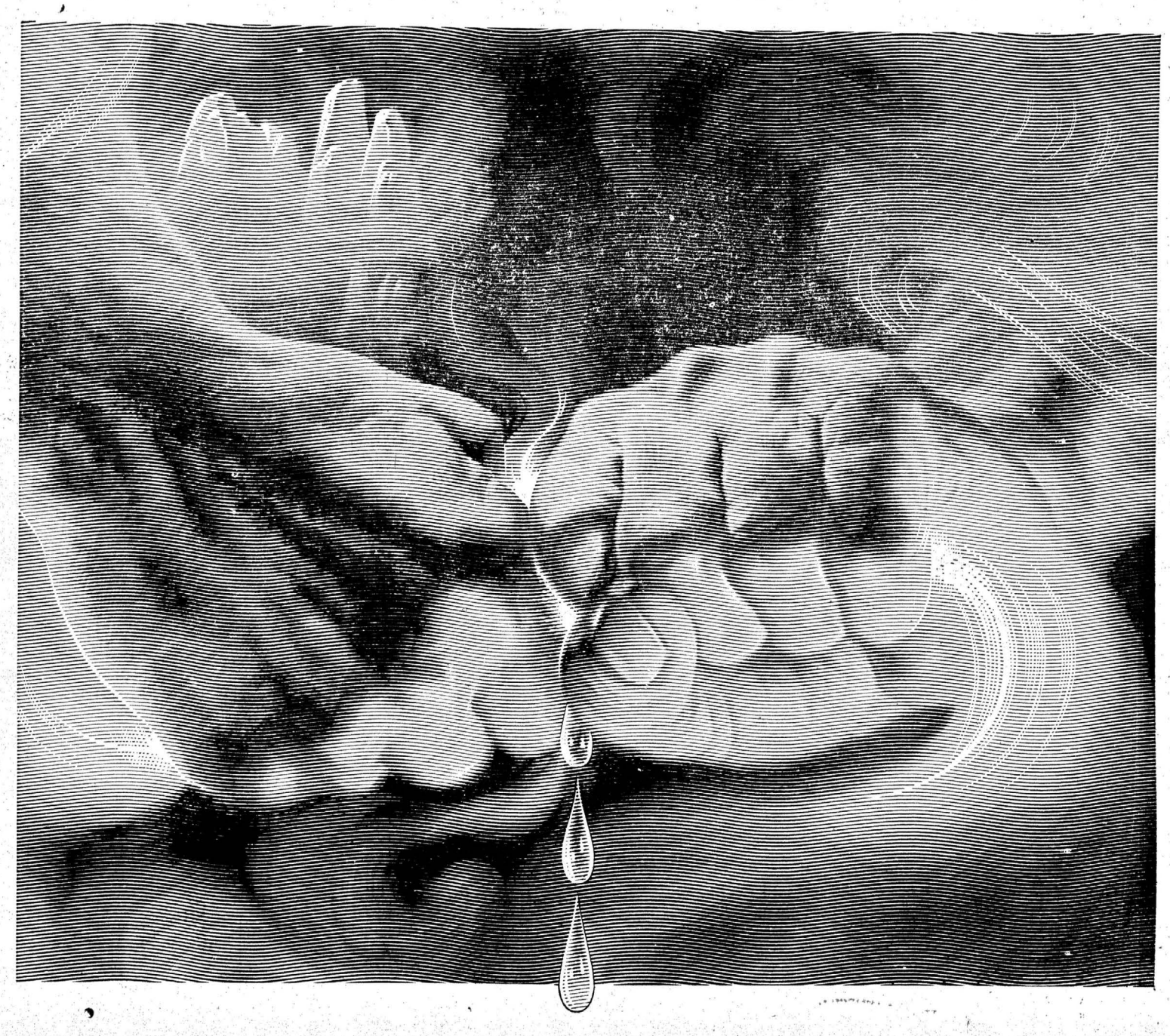

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THESE FORCES OF NATURE are used by industry in making so many of the things we take for granted today. The electric arc furnace—6,000 degrees hot—is the birthplace of alloying metals that go into stainless steel and other fine steels. Oxygen, so vital to medicine and industry, is extracted from air made liquid when cooled to more than 300 degrees below zero.

ETHYLENE GAS SQUEEZED under pressure of 15 tons per square inch changes into polyethylene. This remarkable plastic is used to make such familiar things as unbreakable nursing bottles, squeeze-spray containers, and transparent wrappings. Exposing natural gas to terrific pressures and the "nothingness" of vacuum have been key steps in making hundreds of new chemicals during the last 20 years.

THESE ARE BUT A FEW examples of how industrial scientists such as those of Union Carbide have discovered how to use the forces of nature to create the new processes and products necessary to America's progress.

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million cubic feet on the peak day of 1945. To meet the growing needs of the Greater Cincinnati service area, it will be necessary, as previously noted, for the company to spend more than $63,000,000 in the next two years for additional gas and electric facilities.

While providing excellent service to present customers in the Greater Cincinnati area is our principal concern, CG&E also is participating in two major enterprises on a national scope that undoubtedly will leave their stamp on all mankind.

One is the Ohio Valley Electric Corporation project in which CG&E and 14 other electric utility companies are engaged in constructing approximately $400 million worth of facilities to supply the largest single power contract in history, that of the U. S. Atomic Energy Commission's gaseous diffusion plant near Portsmouth, Ohio.

The second major undertaking is the Atomic Power Development Associates, Inc., and the Power Reactor Development Company. These two non-profit corporations, of which CG&E is a part, have been authorized by the AEC to plan, finance and construct plants for the peace-time use of atomic energy.

We feel that participation in these projects will have twofold beneficial effects on us and our customers. First, it will keep us abreast of latest development in this very important field. And second, it affords us an opportunity to join with other taxpaying privately owned utilities to demonstrate that these companies are ready, willing and able to develop the technical knowledge to utilize atomic energy as a substitute fuel for the benefit of their customers at such time as it becomes economically feasible to do so.

It is the constant effort and desire of the company and its employees to maintain the best possible service. I sincerely believe our company will always be ready to serve the needs of a growing Cincinnati and surrounding service area in a manner that justifies the confidence and goodwill of our customer public.

SOLOMON R. BAKER

Chairman of the Board and President, Pyrene-C-O-Two Corporation

At the retail level we have just witnessed the greatest Christmas season on record. The toy industry and many associated lines were reported completely sold out as early as the first of December. True, as we enter 1956, inventories in some industries are moderately high, but they are nowhere near the danger point.

S. R. Baker

A substantial improvement is now evident in a field that has been depressed for some time—the textile industry. Steel and related industries are now sold well into the second quarter. With the backlog of business already on the books, plus the normal demand for goods that may be expected, it would appear that 1956 may well be another outstanding year.

This is further supported by the improved atmosphere of labor. Negotiations in the major industries last year were conducted harmoniously, and there seems to be a better understanding between labor and management. If the merger of the AFL and CIO can be expected to reduce competition between unions, it may very well mean that industry will be rescued from the middle position.

A factor which most of us are reluctant to discuss, but which has a paramount effect on our industrial outlook, is the armament program. We had all looked hopefully for a reduction of expenditures in this area, but as of now, the results of the Geneva meetings are most disappointing. Present indications are that the armament race will be accelerated. Obviously this factor will add to the demand for goods, although in my opinion we still would have an outstanding year even if armament expenditures were not increased.

Armament outlay in turn sharply affects the prospect of tax reduction, a much-to-desired gesture that, aside from political ramifications in a Presidential election year, would stimulate the economy by releasing funds for capital investment. I should very much like to see taxes lowered and I discount any possible inflationary spiral which some people think might result, but unless the Russian attitude changes drastically before next summer, it seems to me that taxes are not likely to be reduced.

All these factors in evidence at the turn of the year —record retail Christmas sales, moderate inventories, an unusually large backlog of orders and new plant facilities already on the books, improved labor-management relations and the likelihood of armament expenditures continuing at a high level—make me decidedly bullish for 1956. Should we have a tax reduction as well, I have no doubt that 1956 will be another record year. I feel that we are in a rising economy and that we will continue to live in this atmosphere for some time—perhaps for a long time.

ALEXANDER M. BEEBEE

President, Rochester Gas & Electric Corp.

The outlook for business in the public utility field is excellent. There are two reasons for this:

First, our business is tied very closely to general industrial relations and since all indications are for favorable business economic conditions, the utility business should be facing an expanding market this next year.

Alexander M. Beebee

Second, the utility business should be good because the uses of electricity in a modern society are constantly increasing.

However, there is a very important fundamental which the utility industry is facing which it is important that the people in this country generally understand. This has to do with the Public vs Private Power issue which, for political reasons, will probably be brought into sharp focus this coming year.

Many statements have been made pro and con on this subject and as a result the public is confused. However, I have often said that I have no fear of the people's decision if they once understand the issues, which briefly are as follows:

(1) The generation and distribution of power contain no magic formula which one group has that the other does not also have. The only apparent benefit that public operation has over private utilities is the avoidance of taxes. This is a phantom benefit, since the taxes avoided must be otherwise made up. At a time when balancing of budgets is so vital for the future welfare of this country, it seems strange indeed that certain groups should be asked the privilege of avoiding their fair share of taxes.

(2) Lincoln said that no nation can exist part slave and the rest free. Neither can sound democracy exist with certain groups avoiding their fair share of taxes, which must be made up by taxing those who live in other areas to a larger degree. If our Nation is to grow and prosper, we must have "Equality of Opportunity" and "Equality of Taxation." Either all utilities should be exempt from taxation or everyone should be taxed equally. Since there are only some 20% of the customers in the country who are avoiding their fair share of taxes in this category, it seems advisable that further steps in this direction not be made, and an effort made for the 20% to carry their fair share of taxes. If the trend is to be allowed to go in the other direction, then socialization of our industry just cannot be stopped. Such a situation will benefit no one as where, then, will the necessary taxes come from? Private utility operation treats everybody the same. The people benefited carry their fair share of taxes, including the cost of the benefit. It seems to me these are exceedingly important fundamentals that should be championed and supported.

(3) The private utility business of this country has no objection to the people adjacent to large hydro developments getting their power at a price that does not include an element of fuel cost in it. Generally speaking, this represents about 15% of the cost of the finished delivered power. However, it does not seem fair that in addition the people in those areas should be allowed in some cases to avoid all or part of the tax and interest charges, which total some 40% of the normal cost of electric service revenue, and which have nothing to do with hydro power, and which most other areas throughout the country must carry.

(4) Perhaps the most unfair situation attached to public power programs is that they not only avoid taxes in their operations, but in the sale of power they give preference to groups who also avoid taxes. This is most unfair, discriminatory and un-American. Its purpose is purely for political advantage. If the time has come in America when the people who pay taxes are to become "second class citizens" and be discriminated against, then I am sure you will see that the very fundamental principles of the American Economy are in jeopardy. The "Boston Tea Party" was brought about by just such unfair fundamentals, and the time has come in this country when the people should understand these facts.

(5) The illusionary advantages of public power will become less and less as time goes on. Private utility operation under regulation by the Public Service Commission is based on a fair return on "original cost" less depreciation. Public power in transmission and distribution must sooner or later face the realities of present-day value, either as a result of condemnation proceedings, or new construction in case they build new facilities. Such added costs of public power programs can go a long way toward obliterating the "fancied" advantage of tax avoidance. Therefore, the consumer under such programs will find his electricity but little if any cheaper and the country's tax burdens have been increased. Therefore, it is for all these reasons that public power will find it increasingly difficult to show any benefit and will involve principles that are definitely against the broad public interest.

(6) One other advantage that has been claimed for public power is that the interest on the bonds that various authorities may put out is at a lower rate of interest than private utilities can put out. This again is an illusionary benefit and is the result of avoiding taxes. Who bought those bonds? A person with a $50,000 a year income would buy those bonds in preference to a business investment that would yield 13%—another case of tax avoidance which benefits a few at the expense of many under the guise of public interest. Splendid support to this thinking is the recent book by Professor Vernon Mund entitled "Government and Business" which states: "With a system of progressive income taxes, the loss in tax revenue from persons with high incomes who buy such securities possibly is much greater than the saving in interest cost. Persons with high incomes investing in tax-exempt securities are able to secure a higher net return on their capital than persons of moderate means who buy Defense Savings Bonds. A practice of tax exemption may subsequently serve to benefit persons of wealth more than the borrowing public. Tax exemption, therefore, does not appear to be a sound policy."

In closing, these issues may not have any adverse effect on any one particular company, but rather it is a national one. If the avoidance of taxes is to justify the Government in the power business in this country, then socialization of our country is on the road. Of course, the people in the so-called tax-exempt areas like TVA and the Pacific Northwest that are avoiding their fair share of taxes will bitterly fight for the continuance of their special privilege. But that does not make it economic or in the public interest. We must consider the "drowning" effect on all enterprise in other areas that are forced to carry more than their fair share of taxes and then compete with these tax-free areas.

Tax exemption is a tremendous subsidy to the non-taxpayer. In the early days this privilege of tax avoidance by certain groups started out in undeveloped areas in order to help them compete in the national markets. At that time, these "special privileges" were not so detrimental in their effect. Taxes were relatively low and these areas tended to exist unto themselves. However, as a result of modern means of transportation, together with the ease of shifting location, the situation has completely changed. Taxes that formerly were a small portion of the cost of things have both grown and multiplied and now constitute a tremendous burden on enterprise and development in tax-paying areas. As a result, tax avoiding areas not only compete unfairly with other areas in national markets, but also entice industries and people from other areas.

It seems to us the time has come in this country when such special privilege should stop, and it is for this reason I have no fear that if the public really understands the issue that their decision will be in favor of Private Enterprise, not only because when all real costs are considered, private operation can do a better job for the customer, but in addition, under such a plan, everybody is treated the same and the tax burden is shared by everyone.

HARVEY BEFFA

Executive Vice-President and General Manager, Falstaff Brewing Corporation

Falstaff Brewing Corporation entertains what might best be described as a cautious optimism as regards the future of the brewing industry. The industry, which has had its share of ups and downs over the past 10 years, showed an increase of about 3% in sales to 86,000,000 barrels in 1955, on the heels of a slight decline in 1954. The increase that spurred industry enthusiasm was actually of less immediate importance than the factors that produced the increase and set the stage for further gains in the years ahead.

Harvey Beffa

Perhaps the most significant of these factors is the trend in the number of persons entering the adult market. Reports from the U. S. Bureau of Census show that this figure tapered sharply downward following World War II and reached the lowest point of a 10-year period in 1954. The trend has now been reversed, with indications for a gradual increase in the future of the number of persons 21 years of age and older. Thus the brewing industry can look forward to an increasingly larger market potential.

These added millions of persons will have added billions of dollars to spend. Disposable personal income should steadily rise from 250.1 billions to some 380 billions in 1965.

A third factor that adds to industry optimism is the increasing acceptance of beer as the beverage of moderation. Beer is consumed by two out of every three men and by approximately 40% of the women of America. This popularity is spread fairly evenly among all income groups and in all regions of the country.

The degree to which caution tempers optimism varies with individual breweries as they inspect factors which may influence their profit margins. Competition has held beer prices down, yet production costs have edged upward as have the costs of advertising and selling. Texas, too, have made their weight felt with Federal excise taxes alone paid by the industry amounting to $774,000,000 during the past year.

The answer has been to place heavier emphasis on higher sales volume to meet the problem of higher costs.

Falstaff, as an example, has followed a vigorous program of plant and market expansion and has steadily improved its production and financial position.

In 1955 Falstaff sales totalled more than 3,650,000 barrels, an 11% increase over 1954 sales which had placed the brewery among the top brewing firms in the nation. The company, which experienced its greatest year in 1955, appears to be headed for another banner year in 1956.

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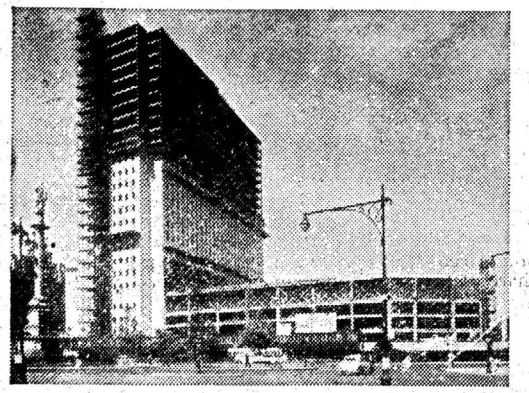
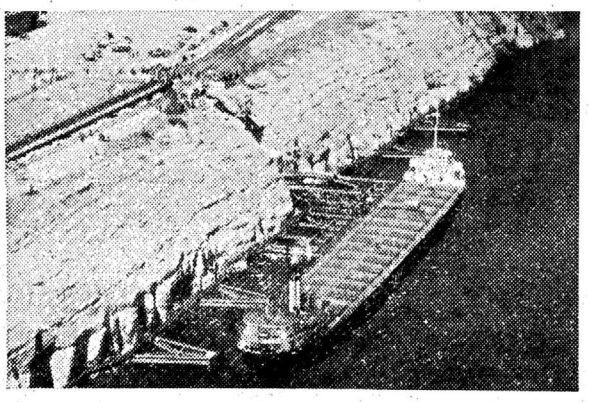
Some 1955 Highlights of

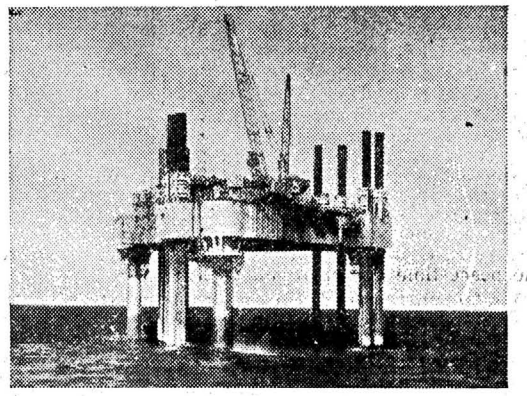
BETHLEHEM STEEL



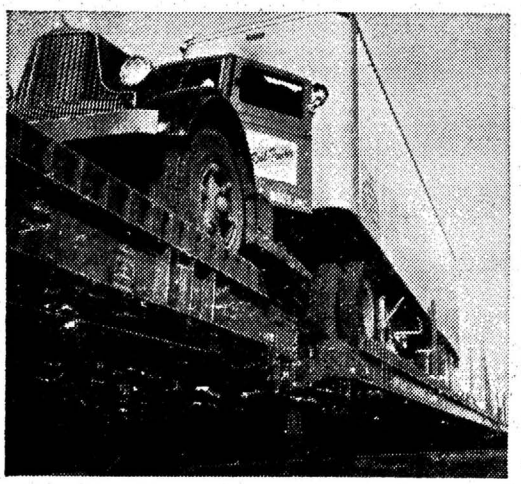
NEW YORK COLISEUM. During the year Bethlehem erected 13,000 tons of steel, fabricated at the Pottstown, Pa., works, and supplied 4000 tons of reinforcing bars for this project. In addition to the huge exposition hall with space as large as nine football fields and seating capacity for 10,000 persons, the Coliseum includes a 20-story office building.



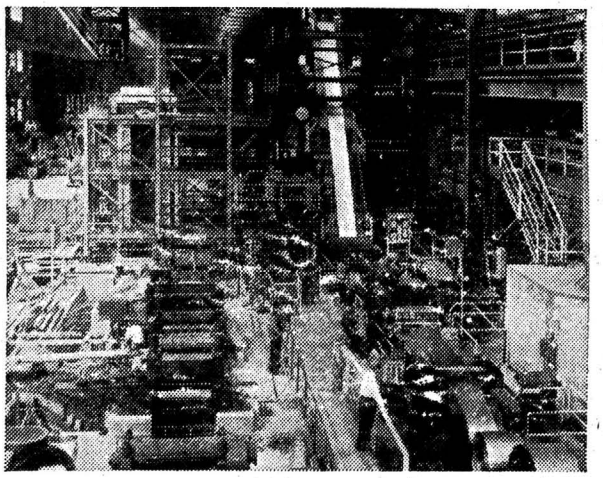
MARMORA ORE. The first shipload of pelletized iron ore from Bethlehem Steel's new Marmora, Ontario, mine left for Lackawanna plant on May 11, 1955. This shipment followed nearly five years of exploration, construction and stripping activities at Marmora, and construction of dock facilities at Picton. It is expected that when full production is reached, 1400 tons of iron ore pellets will be shipped each day.



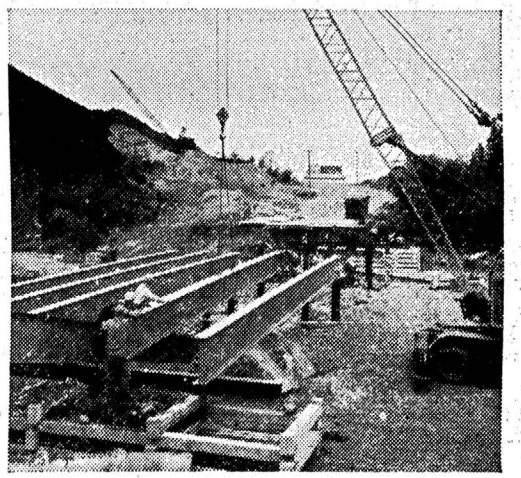
SENTINEL AT SEA. 110 miles east of Cape Cod in the open ocean stands the first steel "Texas Tower," a radar island which will flash warnings to the mainland in case of air attack. Built at Bethlehem's Quincy shipyard and fitted out at East Boston yard, the island of steel (shown during installation) was towed by powerful tugs to its permanent location at sea.



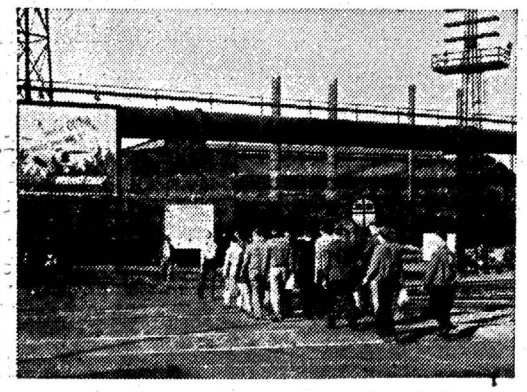
FLAT CARS FOR TRAILER TRUCKS. Two hundred special flat cars were built at the Johnstown, Pa., plant for the Pennsylvania Railroad's new "TrucTrain" service. Trailer trucks load at shipper's door, ride these cars to a terminal near destination, debark and deliver to the consignee's doorstep. Bethlehem also built 50 cars for a similar Erie Railroad service.



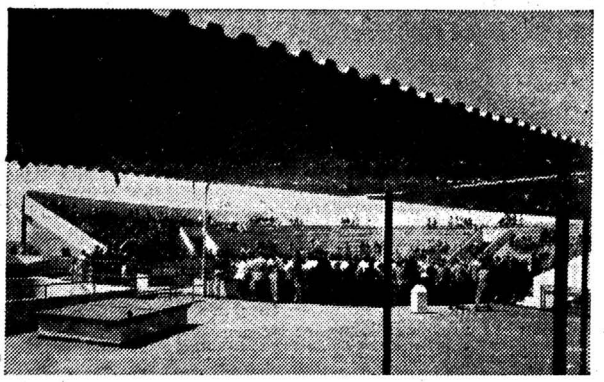
NEW FACILITIES. The picture above shows the installation of additional equipment for galvanized strip at the Sparrows Point, Md., plant. Other new facilities under construction at the same plant during 1955 were a 48-in. cold-reducing mill, added equipment for tin plate production, an electric-weld pipe mill and a 160-in. sheared-plate mill. Construction to expand capacity was also under way at other Bethlehem plants.



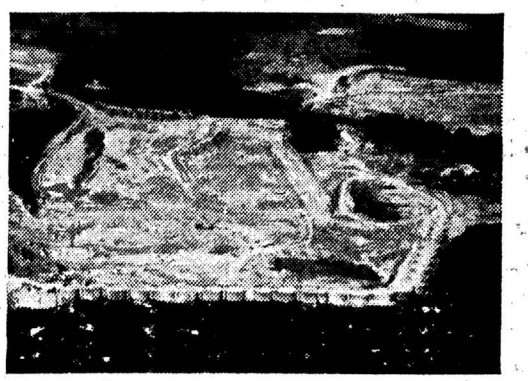
STEEL FOR FLOOD REPAIR. Soon after Hurricane Diane's disastrous flooding of vast areas in the Northeast, Bethlehem began making emergency shipments of steel. Thousands of tons of shapes, piling, reinforcing bars, and rails were rolled and rushed to stricken areas. Much of this steel came from the Bethlehem, Pa., plant, which itself suffered flood damage.



SAFETY IN STEELMAKING. For the sixth consecutive year, the Bethlehem, Pa., plant won first place among large steel plants in the National Safety Council's contest. The Sparrows Point, Md., plant was the third place winner. Altogether, Bethlehem operations won seven awards in all contest categories: five first places, one second place and one third.



WORLD'S LARGEST OCEANARIUM. Sharks, giant rays, porpoises, and other deep-sea dwellers are on view at Marineland, in Southern California. Largest of its kind, the Oceanarium has a framework of Bethlehem structural steel, and the entrance foyer and verandas are shaded by "awnings" fabricated from Bethlehem galvanized sheets. Visitors can look at some 5000 species of fish through viewing windows in large tanks.



STEEL FOR ST. LAWRENCE POWER. Over 16,000 tons of sheet-piling were rolled at the Lackawanna, N. Y., plant for the vast St. Lawrence River power project, for use in cellular cofferdams at Long Sault (above) and Barnhart Island.

BETHLEHEM STEEL

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S. CLARK BEISE

President, Bank of America National Trust & Savings Association, San Francisco, Calif.

During the past 12 months we have witnessed spectacular achievements in technology and have attained unparalleled levels of production. From these heights we find even wider horizons lying ahead. As we view the coming year we may be very sure of one thing. There will be no reduction in the human appetite for material things nor in the quest for a higher standard of living. This demand is nearly insatiable and always will be with us. It will continue to have its impact upon business and industry throughout the nation. No less will its force be exerted upon those who are the leaders in our total economic effort.

S. C. Beise

A natural result during 1956 should be the increase in capital investment by business and industry. It is expected that funds will be channelled to create new products, expand the markets of existing goods and to provide even greater employment. Equally vital will be the capital invested to enlarge plants and to replace machinery made obsolete by technological progress. Each new piece of equipment and each improved method adds strength to our production effort.

Despite the accomplishments we are making in this scientific age there can be no slackening of our efforts directed toward persistent research. This is an obligation of business and industry throughout America. It is a responsibility enfolding fundamental research that invades new fields and applied research translating the drawing board ideas into practical use.

We in the West, with our growing wealth of research facilities and our basic strength, are particularly qualified to discharge our obligations.

Our wide diversification in industrial activity has fashioned healthy sinews in our economic life and provided expanding job opportunities for our growing population.

Present indications are that business will continue to rise during the coming months and that the year as a whole may record higher levels than in 1955. It is expected, too, that bank deposits will remain at high levels because of over-all prosperity.

The coming year will see the progressive banking profession in the West taking every possible advantage of technological advances related to its activities. Bankers are better equipped than at any time in their history to cope with the demands which will be made on all phases of their services.

It is apparent that the pattern for the year ahead is an encouraging one and full of promise. But for business and industrial leadership, it represents a ringing challenge of responsibility. It calls for increasing skills at the management level to realize fully and completely the opportunities that lie before us.

JOHN D. BIGGERS, Chairman
and
GEORGE P. MacNICHOL, Jr., President

Libbey-Owens-Ford Glass Company

The flat glass industry has achieved another record year and anticipates continuing high demand during the first half of 1956, with strong indications of good business throughout the year. Ever since the close of World War II the industry has been striving to match growing demand with facilities and in this period Libbey - Owens - Ford has invested more than $87 million in plant improvement and expansion.

John D. Biggers

G. P. MacNichol, Jr.

However, this was not enough and early last year we embarked on a new building program that will mean investment of more than $50 million at several of the LOF plants during a period of only 16 months. To meet the urgent needs of customers these facilities are being provided faster than ever before in our company's history.

Total sales of glass for the year will be 35% in excess of the company's record 1954 output. Orders on hand will sustain this volume far into the new year. We expect a strong continued demand for glass due to these factors:

(1) School, industrial and residential building are at high level and government reports indicate a continuation. Even if residential building should decline, it is almost certain that school and public construction will increase.

(2) Automotive production, with cars using 50% more glass than in 1940, appears likely to continue at high rate in 1956 because of a natural trend to higher ratio of cars per family, larger volume of old cars being retired from service, rapidly increasing population, and peak employment.

(3) All inventories of glass are at extremely low levels. It would require several months to fill the pipelines from factory to consumer.

(4) Employment conditions in the industry are well stabilized so that management and workers can devote full energy to meeting customer requirements and service needs in the months ahead.

(5) There is a definite trend in architecture to use increased areas of glass in all types of buildings. The tremendous volume of new homes built in recent years has given a stimulus to the mirror and furniture trades, which take a considerable volume of glass.

At the East Toledo plant of Libbey-Owens-Ford two new 1,100-ton continuous tank furnaces for plate glass, with accompanying lehrs, additional glass storage area, and auxiliary power, raw material, fuel, water and railroad facilities, are nearing completion. Fire was lighted in one of the tanks on Dec. 1.

A new grinding and polishing line, increasing the capacity of the plant more than 30%, is already in operation.

The new glass bending and laminating plant at that same location is a 50% addition.

At Ottawa, Ill., a complete new double-line grinding and polishing plant is now under construction and scheduled to be in operation later in the year.

At Rossford, Ohio, additions are being made to the new twin-grinding equipment and the Thermopane plant is preparing to put into normal commercial use some of its space formerly devoted to aircraft subassembly work.

These new plants and additions will add about 1,200 new employees.

All of the LOF window glass facilities at Charleston, W. Va., and Shreveport, La., are operating at full capacity.

HON. EZRA TAFT BENSON

Secretary of Agriculture

The legislative outlook, on which I have been asked to comment, envisions Congressional actions which will broaden the present Agriculture Act, permitting a more hard-hitting attack upon the elements which prevent the people of agriculture from fully sharing in the nation's general prosperity.

Ezra Taft Benson

I hope that, as in the past, these problems will be approached from a bipartisan standpoint as the economics of our farm dilemma cannot be solved on a political basis. The problem is nation-wide in scope and should be treated accordingly.

Surplus disposal will continue to be our main challenge as here is the key to agriculture's future welfare. Stabilizing farm income for the moment is highly important and must be achieved but for the long pull there must be orderly liquidation of the commodities in storage which depress the domestic farm market and hang like a shadow over international trading in cotton, wheat and other crops.

Further curtailment of production without diminishing farm income should be tied in with the disposal programs. New techniques, wider use of improved seeds and fertilizers must be taken into account as we seek to balance production with domestic requirements and export needs.

Well considered cutbacks in production plus accelerated disposal of surpluses must be coupled with research which will open new outlets for the dynamic agriculture of today. New uses must be found for familiar products while we at the same time seek to develop new crops which can be used as food or as the raw materials for industry.

A study of the debt structure shows that agriculture on the whole is definitely not in the shaky condition which followed the first World War and continued up to the time the shooting started in World War II.

However, we cannot expect farmers to continue to absorb higher operating costs without compensating adjustments of their income. Costs of materials and labor have gone up in agriculture while farm income has been declining. The consumer has not had a reduction in food prices commensurate with the decline in prices of crops and livestock. Rising distribution costs have no doubt contributed to this but at a time when consumers are spending more than ever before for food, farmers are getting a diminishing share of the food dollar.

But it is extremely important to farmers that the general outlook is for continued prosperity, with continued strong demand for meat, eggs, milk, fibers and other products of the farm. High employment under ordinary circumstances creates a healthy demand for farm products.

While the commodity accumulations of several years cannot be worked off by magic, their disposal can be managed and a balanced economy in agriculture can be attained.

Agriculture being the bedrock of our whole economy, it must and will share in the general prosperity.

FRANK H. BISHOP

President, Allied Products Corporation

Here at Allied we have just finished our projections for 1956, based upon an increase of better than 25% in sales volume. Obviously, a sizeable increase in profits is anticipated. Our projections have been carefully prepared and, since we are part of the automotive industry for which a downturn has been almost universally prophesied, our figures require some further explanation. We agree that passenger car production and sales may be less than in '55, but we do not feel that they will be down as much as is generally predicted. We also plan on the total economy running approximately at or slightly above the '55 level.

Frank H. Bishop

Allied Products Corporation is a major producer of sheet metal tools and dies, RB and Hercules interchangeable punches and dies, and production parts for the automotive, appliance, farm implement, and aircraft engine industries. The production parts include cold-forgings, precision-ground parts, metal stampings, and powdered metal parts.

While we have made some progress in diversifying away from the automotive industry, the largest part of our business, both in tools and products, is still keyed heavily to passenger cars and trucks.

In addition to some diversification by industry, however, we have a fortunate variation in the types of products and services that we produce and sell to the automotive industry. Since we are heavily engaged in the business of making tools and dies for new models, our 1956 business will be substantially increased because with few exceptions all automobile, truck and appliance manufacturers will introduce completely new '57 models. We shall be tooling them up during 1956 to a greater extent than during 1955. At Allied we have already booked considerably more business in tools and dies for 1956 than we sold during the entire year of '55.

In the same category and also responsible for a sizeable part of our increase in '56, is the fact that we built a new plant to render a novel model change service, using rapidly made, low-cost, temporary tools for producing prototype parts to facilitate model changeovers in durable goods. These accurate die-struck prototype parts have the unusual advantage of being almost exact equivalents of the production part yet to come. In this way they aid greatly in "jelling" model changes and develop thereby a more accurate technique in fixing the design of permanent tools for production of the new items. There are two other factors that account for our projected increase in business—one is that we believe the aircraft engine industry as a whole will operate at a higher level in '56 than in '55; the other is that we have improved greatly the operations of our powdered metal parts plant during '55. This improvement, we feel, will assist us in obtaining a larger share of the business available in this relatively new and fast growing industry.

Since we are a part of the automotive industry, we constantly endeavor to keep in touch with the business leaders of this activity here in Detroit so as to keep abreast of their thinking in respect of things to come. While it is generally conceded here that '56 will see fewer passenger cars sold than in '55, the expected drop will not be as severe as is generally predicted by those outside of the Detroit area. We have mentioned in previous articles published in the "Chronicle" that the leaders of the automotive industry have the faculty of being ingenious and dynamic enough to apply remedial measures for alleviating the cyclical and seasonable dips that have been an unhappy part of their previous business history. This is confirmed by reviewing the favorable results of the automotive industry for the last three years. As a consequence, we plan on the 1956 passenger car and truck business being the second best in history.

Some of our reasons for predicting an exceptionally high volume of new car sales in 1956 may be summarized as follows:

(1) The automotive people have done much in recent years to prevent unusual dips in their business. For instance, model changes are planned to maintain sales at a high level. Design changes are deferred on models that are selling well; changes are accelerated on models that lack public appeal. Thus, the public presentation of models is timed to attract customers and compel steady buying.

(2) Automobiles produced prior to 1954 are rapidly becoming obsolete because the majority of them do not have any of the amazing new safety features, such as automatic transmissions, power brakes, power steering, visibility provided through wrap-around glass, etc. Higher horsepower and more efficient engines of today, as well as the new colors and styling, hasten the obsolescence.

(3) The willingness not to defer new features incorporating significant engineering advances, as was the old days' custom, but to add them forthwith is improving the quality, safety and convenience of autos to a degree capable of enticing much earlier trade-ins by people who presently have the money or credit so to do.

So, again we repeat, the feeling in Detroit is that the country as a whole will be pleasantly surprised, as it has been for the past several years, at the results accomplished by the industry when they are tabulated at the end of 1956.

Leaving Detroit and looking at the general business

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More of these signs are going up all over the Northwest

PURE products now sold through hundreds of additional outlets

On January 1st, over 400 service stations of W. H. Barber Company and its jobbers in Minnesota, Iowa, Wisconsin, and the Dakotas, started selling the branded products of The Pure Oil Company.

Although PURE has been marketing its products in this area for over a quarter of a century, the acquisition of the marketing facilities of the Barber Company rounds out PURE distribution in this important area which is tributary to PURE's recently acquired Lemont, Illinois, refinery.

Finished products from Lemont are now moved economically through the new Badger Pipeline into Wisconsin, or by barge up the Mississippi to marine storage and terminal facilities in Iowa and Minnesota. This storage capacity has been increased by 35 million gallons, and flexibility of distribution provided, as a result of the Barber acquisition.

The addition of the Barber facilities is another important step forward in PURE's aggressive growth program. Throughout its entire marketing area, the continual building and remodeling of service stations at strategic locations is making it convenient for more and more motorists to "Be *sure* with Pure".

THE PURE OIL COMPANY

Producer • Refiner • Transporter • Marketer
35 East Wacker Drive
Chicago 1, Illinois

THE PURE OIL PURE COMPANY, U.S.A.

Be sure with Pure

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picture, we feel without any reservations that the industrial activity recorded in 1955 will be maintained fairly well throughout 1956. Increases in the birthrate, family formations and longevity require and support an increasingly higher level of business activity.

The general business tone will be helped by the need for eternal vigilance as a result of world affairs. The fact that no reliance can be placed on the actions or commitments made by many nations who exist under conditions and theories so different from our own makes it necessary that this country and her allies maintain a very strong position both offensively and defensively, with emphasis on active research into all areas of science, the results of which may be routed into peaceful use for our continued betterment.

There is another strong factor in favor of 1956. Many lines were not operating at their peak during the early part of '55. This is particularly true of our business. We got off to a very slow start and our volume for the first part of this year should be much better than it was at the beginning of '55.

Any effect that politics might have on business should be helpful. This being an election year, both parties will be in a spending mood, striving to maintain a favored position with everyone, including management. I think they have learned the lesson that good times can be brought about and retained through a good, strong, healthy business climate with less trouble and expense than trying to buy good times through government pump-priming. As a matter of fact, recent leadership in the Democratic Party has declared a pro-business attitude which is a particularly favorable sign for 1956. It would appear that regardless of which party wins in 1956 we are assured of a favorable climate for business in the foreseeable future. This is all our free enterprise system needs to insure continued prosperity.

ROBERT F. BLACK

Chairman and President, The White Motor Company

Another record year in 1956 appears to be certain for the manufacturers of heavy-duty over-the-highway trucks and tractors as industry in general continues to pour out a record volume of goods that must be transported to expanding consumer markets.

Robert F. Black

If the present substantial order backlog of White is any criteria, it is quite possible that registrations of heavy-duty vehicles in the 19,501-pound-and-over gross vehicle weights produced by all manufacturers in the next 12 months will set a new high record in excess of 80,000 units. It would represent more than $600 million of business for this segment of the truck-producing industry.

In units, the healthy figure for 1956 would compare with estimated registrations of 79,300 vehicles in 1955, an increase of 35% over 1954 and—more than double the 37,330 units registered in 1949—graphically illustrating the growth of the truck transportation industry in recent years.

Today there are approximately 10,200,000 trucks of all kinds in use, of which more than 1,000,000 are the large heavy-duty vehicles. Contrast this with only 5,000,000 trucks of all types in use in 1945 and we have further evidence of the growing demand for truck service.

While all this has been taking place, other forms of transportation—rail, air, water and pipeline—have also been experiencing substantial gains in their freight volume and in their services during the past decade—each form expanding because it satisfies a specific demand.

In the past year of record freight traffic, there has been a growing awareness in the public mind that no one form of transportation could survive and do the job without the others.

As the new year begins, it is essential that all forms of our transportation system be preserved to their maximum degree of usefulness and efficiency. For the trucking industry, this means equitable legislation on the state and local levels and the early development of a coordinated program for urgently needed highway construction.

The social and economic importance of the country's roads is only beginning to be realized by the general public. Their faults are well-known. Every day in hundreds of towns and cities across the nation there are traffic jams—uptown, downtown and crosstown.

It is no wonder. Experts figure that two out of three of the nation's 3,360,000 miles of streets and highways are wholly inadequate for today's modern vehicles, and approximately 1,700,000 miles of this network of roads and highways are unsafe for drivers. While the country's traffic load has more than doubled since World War II, the U. S. has barely built up its road investment to the level of a decade ago.

All these facts and more are well-known to legislators. The willingness to do something about it is apparent on every side. The methods of paying for the job are still to be worked out—methods that must distribute the cost fairly among all highway users.

JOSEPH L. BLOCK

President, Inland Steel Company

A security analyst for one of the financial houses recently wrote "As General Motors goes, so goes the steel industry." There is, of course, much truth to his observation. The auto industry in 1955 received directly, from the mills, and indirectly, from the warehouses and various processors, about one-quarter of all the steel made in the United States.

Joseph L. Block

Some 8 million passenger cars were produced, and steel output approximated 117 million ingot tons, both industries smashing all prior records. Few, if any, forecasters had the audacity a year ago to predict such results.

Today, even though production is at an all-time high, no war is in progress and defense ordering of steel is inconsequential, buyers are in the maddest scramble for tonnage we have ever seen. Without exception, all steel consuming industries are asking for more. Fairly recently the railroads have sought generous slices of the already carefully-cut pie. These old friends will, of course, not go hungry, but for the present at least, they, like all others, will receive less than their appetites seem to require.

With such an all-out demand and magnificent production, forecasting at least for the first half of 1956, seems to be an easy task. If ever there was a time when such a short-range prediction appeared safe, this is it. The pace, I believe, is too rapid for any appreciable slowing-down before mid-year. Therefore, the first six months of 1956 should establish another new high in steel production with more than 60 million tons of ingots. This means an operating rate in the 93-95% range.

I have already mentioned the important part that the automobile industry plays in the steel picture. It, plus home building, with the various appliances now so much a part of modern living, sparked this huge steel output, particularly in the early part of last year.

It does not seem to me that these industries will require the steel they received in 1955, although this may not be apparent for another six months.

The heavier industries—railroads, public and industrial construction and machinery—will probably require more steel. And this includes rather substantial tonnages for the steel industry itself, which is embarking on a new and sizable expansion program. While these demands should fill some of the gap, I do not think the present pace of steel production will be maintained in the second half. The drop should not be great—possibly down to about a 55 million ton-level. This would make a combined total for 1956 very close to last year's tonnage with an annual rate of 90-92% of the new capacity. And if this pattern should develop, steel will, of course, be somewhat easier to obtain this summer and in the later months of the year.

JAMES G. BLAINE

Chairman of the Board, The Marine Midland Trust Co. of New York

An prognostication about business in this troubled world should be "e and o e." On that basis, it looks to me as if 1956 would be an excellent year for American business.

James G. Blaine

ROGER M. BLOUGH

Chairman, United States Steel Corporation

Ingot production in the steel industry, meeting the country's highest year of economic activity, rose to a new annual record in 1955 of about 117 million tons—a record, moreover, established almost entirely on a basis of civilian demand. Governmental purchases accounted, directly, for only about 2% of all steel shipped.

Roger M. Blough

Expectation of continued good production in the steel industry is based on prospects of a high level of production in the basic industries consuming steel. This reflects a continued high level of over-all demand for finished steel products, although lower trends are indicated in some industries.

Late in December, U. S. Steel announced it was rapidly moving forward with a program of expansion designed to keep pace with the needs of its customers. This expansion program is based on the recognition that the future requirements of the country's growing economy clearly indicate a need for increased steel production.

Market studies indicate that while steel demand will increase in many markets, major increases in production will be needed in the Chicago area and in the Western market. Currently an expansion of about 380,000 tons of ingot capacity is being undertaken at Geneva, Utah. This will add about 20% to the capacity of this Columbia-Geneva Division plant, bringing it to about 2,260,000 tons. Work has already been started on this project.

Plans are being formulated for increasing the ingot capacity in the Chicago area by approximately 1,500,000 tons through an improvement of various facilities in that area.

Further increases in capacity of steel-producing plants of U. S. Steel are planned through various changes and improvements in facilities. Although the increases will vary plant by plant, the additional production obtained is expected to be about 2,500,000 tons. This new capacity should be completed in two to three years, and result in some additional production prior to final completion of the program.

U. S. Steel during 1955 continued to modernize and expand its facilities across the country.

U. S. Steel Products Division brought into production one of the country's most modern container plants near Camden, New Jersey.

Production of stainless steel sheets and strip is being increased by the installation of additional facilities in the Pittsburgh area and in the Chicago area.

The National Tube Division at its Gary, Indiana, plant started commercial production for nationwide distribution of a new plastic pipe known as polyvinyl chloride which resists attack by acids, alkalies, salt solutions, alcohols, and most chemicals.

During the year Consolidated Western Steel Division started production in its new pipe mill adjacent to Columbia-Geneva facilities at Utah. The new plant will produce small diameter pipe in addition to natural gas pipe up to 40 inches in diameter.

Gerrard Steel Strapping Division announced plans to double its facilities.

Construction of Universal Atlas Cement Company's new plant having an annual capacity of more than 3,000,000 barrels of cement, being built adjacent to its Buffington plant near Gary, Indiana, was well under way.

The National Tube Division at its McKeesport, Pa. plant is undertaking plans to triple its production of deep well high-strength casing to meet oil industry requirements.

Ground has been broken for the construction of an anhydrous ammonia plant adjacent to the Geneva Works of the Columbia-Geneva Steel Division to provide agricultural fertilizer from coal by-products.

During the past year, U. S. Steel continued its research in the development of new and improved steels with widened uses, and the creation of better processes for making them. The year marked the beginning of operations in three of the four buildings of the new Research Center at Monroeville. It has a total floor area of 187,000 square feet, and represents the consolidation of a number of laboratories formerly located throughout the country. Equipment will enable the study of every phase of the making and producing of iron and steel from raw materials to finished products.

THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

Perhaps if all of us in industry and finance had a basic and detailed concept of what elements in it are vital in making our American economy expand, we could all better forecast the outlook. Each of us could more helpfully contribute to its smoother and more assured development.

Thomas C. Boushall

As we are told by able private and governmental economists, we in America could find a very satisfying development of our country if it advanced each year by some 3% over the preceding year. Instead, we all seem to be frantically at work to see that it expands 10 or 12 percentage points over the previous 12 months.

It would do this country a great deal of good to have all our executives in agreement as to an acceptance of 3% or whatever figure would prove to promise our optimum progress. There are those who, in seeking to outwit and outproduce their competitors, are stimulating the country to a 10 or 12% step-up annually. If our economy cannot safely, assuredly, and continuously expand at this accelerated pace, it must follow that we are one day to have a rough period of correction.

The current outlook, if we accept all the records and prophecies of investment in capital goods for expanded production, and projections of goods to be produced and mechandised, promises a rate of growth far beyond the desired 3% for a healthy sustained growth. In fact, the projected plans call for a consumption of goods by the public that will require further individual borrowing to buy the heavier items—cars and home appliances in particular—but also boats and homes and vacations and trips abroad that already have stretched credit sources to a degree unwelcome to the banks, to the Treasury officials, and to the Federal Reserve authorities.

The outlook is for little restraint by those on whom that function falls, and little regard for end results by those determined to blow the balloon to a still larger diameter.

It would be well to strengthen the thickness of the

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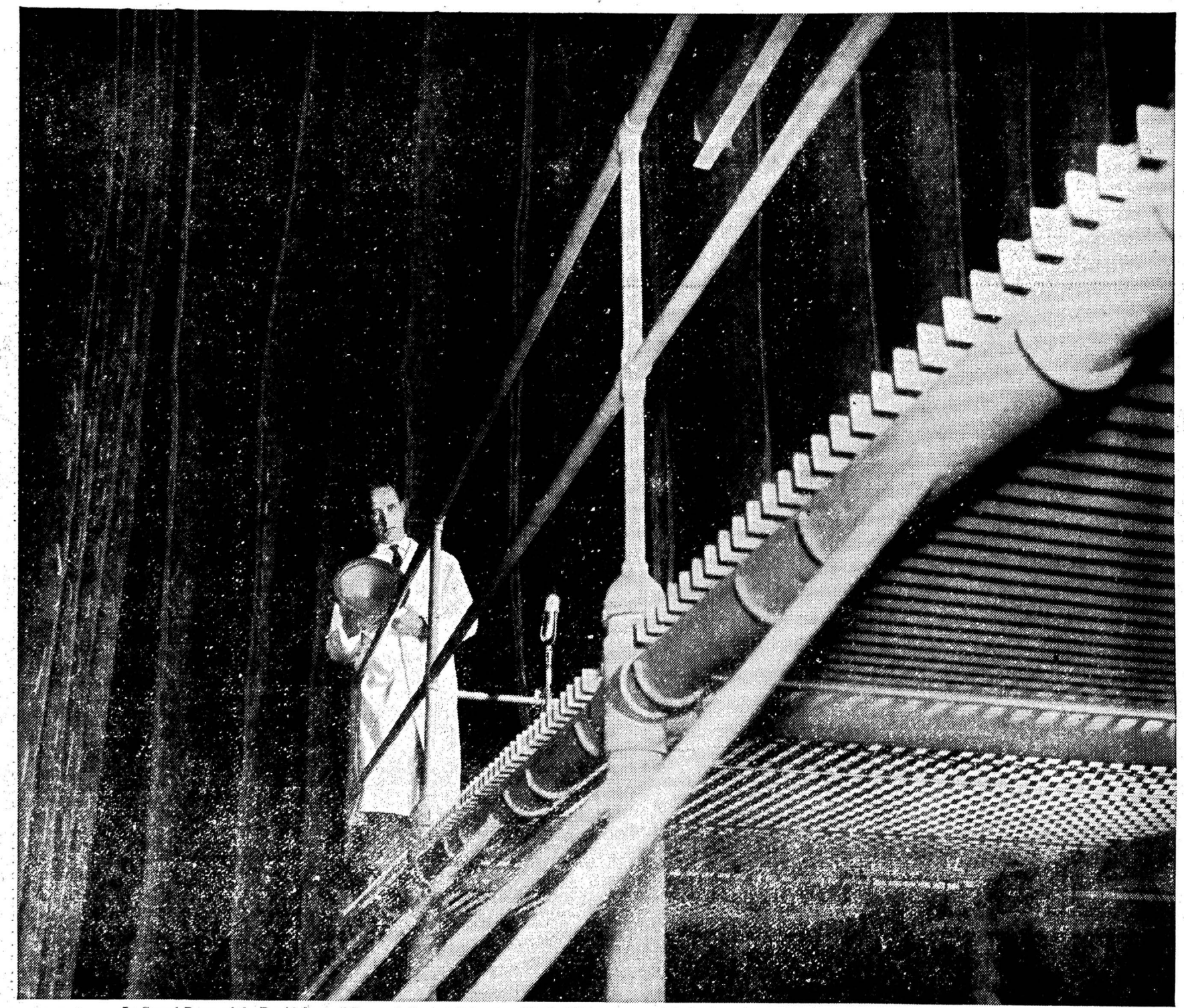

In Sound Room of the David Sarnoff Research Center, Princeton, N. J., RCA tests one of the loudspeakers used in new high fidelity "Victrola" phonographs.

RCA creates a new kind of high fidelity in the silence of this room

In this room you *can* hear a pin drop. The jagged walls absorb alien noise so that delicate instruments can make sure reproduced sound matches the original as closely as possible.

Thus a new kind of high fidelity is born—and brought to you for the first time in new RCA Victor Orthophonic "Victrola" phonographs. *Listen!* Here is distortion-free performance through the range of audible sound. Here is *more* music than you've ever heard before, with deep-throated lows and winged highs. Here is the ultimate in high fidelity.

The skill behind new Orthophonic "Victrolas" is inherent in all RCA products and services. And continually, RCA scientists strive to open new frontiers of "Electronics for Living"—electronics that make life happier, easier, safer.

RCA®

RADIO CORPORATION OF AMERICA

ELECTRONICS FOR LIVING

New Orthophonic High Fidelity "Victrola" Phonograph, $129.95. 3-Speaker Panoramic Sound System. Mahogany or modern oak finish. Stand extra. (6HF5.) Other instruments to $1600.

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balloon's cover (our over-all economy) before we blow it to a thinness unrelated to the rising internal pressure.

Thus the outlook in 1956 seems to be for a race between our rapid rate of expansion and the essential thickening of our economy's over-all cover, while most industrial and financial executives, as well as governmental authorities, make long guesses as to the day of testing and its calculated events.

O. C. BOWDEN

Chairman and President, Sterchi Bros. Stores, Inc.

The nation's steadily increasing middle-class family bracket should assure a continuation of 1955's high rate of home furnishings and appliance sales during most of 1956, with the possibility of a leveling off period the latter part of the year. Inventories are now at a peak — no speculative buying is necessary. Prices are firm and we expect them to remain so. We do not feel there will be any great change in spite of the increase in minimum wage, effective in March. Dealers who are inclined toward low down payments and long easy terms might find themselves pinched to some extent as money will continue tight and no doubt cost more. All in all, 1956 as a year should closely approach 1955 unless factors not now present assert themselves.

O. C. Bowden

EMERSON S. BOWERS

Secretary-Treasurer, Atlantic, Gulf & Pacific Co.

The Eisenhower Administration, it appears, realizes now that the drastic curtailment of harbor and channel development during the past several years is not constructive and not economy; that such development must keep pace with other national growth to meet present and future needs. This conclusion is sound: cargo carriers are being built larger and larger; high distribution costs must be lowered; low cost water transportation aids civic and economic development; and every improved waterway is an added national asset, another link in our defense chain.

Emerson S. Bowers

If the Federal waterway system served no other purpose than being a vital arm of defense, which it is, its total cost to date and all future development would be more than justified. But it is not only vital to defense; it is also an indispensable link in the nation's transportation system, stimulating economic and civic growth. During construction and continuously thereafter, waterway improvements furnish a large volume of direct and indirect employment. No other Federal expenditure is more constructive.

If the Administration's new concept of public works results in continued action, our country will be benefited and the dredging industry along with it. It is certain that more than enough can be saved in other directions to continue harbor and channel development in the annual volume necessary to meet present and future demands.

MORGAN B. BRAINARD

President, Aetna Life Affiliated Companies

The past year has seen the life insurance industry move forward to new record levels. The number of life insurance policyholders passed the 100,000,000 mark. The amount of ordinary life insurance in force is double what it was only a decade ago, and the volume of group insurance is four times as great.

This remarkable growth, particularly the increase in the ordinary field, reflects the dramatic economic changes that have come about in our society in the past 10 years when so many people have moved from the lower to the middle-income brackets.

Morgan B. Brainard

In an economy which shows every sign of continuing at its present high level, we in the life insurance industry look forward to a continuation of the dynamic growth that has been the pattern in the years just passed.

With personal incomes expected to rise to new peaks in 1956, especially from the standpoint of purchasing power, and with the benefits of life insurance becoming more widely acknowledged than ever before, there is every reason to expect that the market for this form of personal security and protection will continue its present steady rate of expansion.

HARLLEE BRANCH, JR.

President, Georgia Power Company
President, Edison Electric Institute

With the demand for power for the homes, farms, businesses and industries of Georgia continuing to increase at record rates, the year 1956 promises to be one of further growth and expansion for the electric industry in the State. In the year just past, the State's industrial activity rose to new high levels. This growth is reflected in the increased consumption of electric power by industrial customers of the Georgia Power Company. Industrial power sales during 1935 amounted to nearly 2.78 billion kilowatt-hours — a 9% increase over the 1954 figure of 2.53 billion kilowatt-hours. A further increase in power sales to this group of customers is anticipated this year.

Harllee Branch, Jr.

During 1955, 77 new industrial plants, each with a capital investment of more than $50,000, located on the lines of the Georgia Power Company. They represent a total investment in excess of $60,000,000 and will provide employment for more than 7,000 people with an annual payroll of over $22,000,000. They will contribute greatly to the State's expanding economy.

Our industrial development staff is working with some 40 other large industries which have indicated the possibility of locating plants in Georgia during 1956. These include manufacturers of fabricated metal products, electrical equipment, rubber, paper, textile and glass products, chemicals, machinery and a number of other products.

Large increases were also recorded in 1955 in the sale of electric power to residential and commercial customers of the Georgia Power Company. Sales to residential customers increased by about 7.5% to a total of more than 1.6 billion kilowatt-hours. Commercial electric sales amounted to 1.2 billion kilowatt-hours, an increase of 8.2% over 1954. Sales to these two groups are expected to increase by about 8.6% during 1956. This increase is predicated upon the addition of 23,000 new customers as well as the increased use of electricity by existing customers.

The State's economic growth over the past ten years has required the Georgia Power Company to invest more than $308,000,000 in new generating, transmission, distribution and other electric facilities necessary to provide an adequate and dependable supply of power within our service area. The company's confidence in the further economic expansion of the State is evidenced by a continuation of our program of improving and adding to our electric system, meeting all the power requirements of today and preparing for the greater power needs of tomorrow.

HON. STYLES BRIDGES

U. S. Senator from New Hampshire

I am happy to be included again among those from whom you have requested views in regard to the economic outlook for 1956 with particular emphasis in my case on the legislative outlook. The most apt capsule comment that I can make on the outlook for 1956 is—a continuation of governmental fiscal integrity. The unprecedented prosperity of the year just passed was mainly due in my opinion to the fiscal integrity which has been the keynote of the present Administration. Because of the stabilization of the dollar and the halting of inflation, businessmen were once again able to embark on long-range programs of expansion and the consuming public could buy with the confidence which comes with a stabilized cost of living.

Sen. Styles Bridges

The year ahead will see a continuation of stability and we can, therefore, expect much of the same business conditions as we have experienced this year, with some seasonal and levelling off adjustments, as a plateau is established at the new high ground we have reached.

As an integral part of governmental fiscal integrity, I have long advocated the absolute necessity of a balanced budget as one of the first concerns of our Federal Government. All of our programs whether domestic or international have a sound economy as an indispensable base. I am happy to be able to report that we can expect a balanced budget within the fiscal year ending June 30, 1956, and the President has promised to submit a budget which will be in balance for fiscal year '57. Budget balancing is being accomplished by a tremendous reduction in spending resulting from a more efficient governmental operation, coupled with an increase in revenue from the prosperity of an unshackled free enterprise competitive system.

After budget balancing comes debt reduction, if we are not to spend the economic futures of our children, and then tax cuts. The $7½ billion tax cut of 1954 was a well-calculated shot in the arm for the transition from a wartime to a peacetime economy. With the transition accomplished so successfully budget balancing and debt reduction has priority but tax cuts within a reasonable time are a distinct possibility.

Now for a look ahead in regard to policy and implementing legislation. The cold war is still very much with us, therefore, preparedness is a first concern and an increased appropriation for that item will be asked. As ranking member of the Armed Services Committee I am most happy to be able to report that we are getting more defense per dollar spent than ever before in our history. In continuation of that policy there will be continued emphasis on combat readiness and the immediate integration into our armed forces of all of the so-called miracle weapons that our stepped-up research program is producing. In furtherance of keeping our armed forces personnel at top caliber there will be a renewed request, and I think favorable legislation, on what might be termed fringe benefits for military personnel in the way of medical care for dependents and a survivors benefit program.

Foreign Aid, both military and economic, is a close companion of our defense effort and is integrated with it. The Administration will ask for a large increase in this area and undoubtedly a substantial increase will be given. However, I think there will be some resistance to the total increase requested, and there will be a tendency to apply the policy of greater selectivity as inaugurated by Congress last year after a careful review of the situation.

We are all aware of the farm problem in that the individual farmer's income has fallen off somewhat at a time when all other segments of our economy showed gains. The situation can be explained with a single word — "surpluses." The farmers responded with a tremendous, patriotic effort to the wartime and postwar reconstruction demand for food to feed the world. When that demand slacked off, the mistaken policy of high rigid price supports was followed, which resulted in the piling up of surpluses which could only have the inevitable result of further depressing the market. This policy has been abandoned and surpluses are rapidly being worked down. I expect the Congress will immediately grapple with Administration proposals for a stepped-up attack on the whole problem of surpluses, prices, costs and markets, and as a part of the program will be a soil bank proposal to alleviate the problem of the over-expanded agricultural plan.

There is an increasing public concern over the disasters caused by weather in its more violent moods, particularly on the Eastern Seaboard and in the Central Plains States. I would expect legislation for an experimental setup for disaster insurance which would not be competitive with existing forms of insurance, and which would bear some proportion of state and Federal subsidy.

The much-needed highway legislation which bogged down in the last Session of Congress will be vigorously pushed under the impetus of 3 million more cars on the road this year than last, and a 1955 death on the highways record of 38,000—more than were killed in the Korean War. The problem facing the Congress will be to find a solution to this vast problem within the bounds of sound fiscal management.

In the field of what is generally termed social legislation there will be renewed activity in regard to Federal Aid to School Building, expansion in Social Security benefits, and an attack on the problem of Juvenile Delinquency with its companion problems of child welfare services and aid to dependent children. I would expect legislation to increase Federal funds for medical research and proposals to extend voluntary health insurance coverage to more persons. Proposals will be forthcoming to improve the minimum wage law and to apply the principle of equal pay for equal work without discrimination of sex. I would expect additional units of public housing to be proposed, as well as increases in FHA mortgage insurance authority. There will again be civil rights legislation, undoubtedly a proposal for Hawaiian Statehood, and I also expect attempts to be made to liberalize immigration restrictions so that quotas not used by one country may be applied to another.

In summation—the highlights of the legislative program will be a pushing of the unfinished items of the last session within the over-all framework of the fiscal integrity which will be the Administration's keynote. All in all another good year for business, with the welfare of the individual again increasing under the benefits of a free competitive economy.

GEORGE GARVIN BROWN

President, Brown-Forman Distillers Corporation

Two major issues confront the distilled spirits industry in the coming year. Both, of equal significance, are carry-overs from 1955 and will bear heavily on what lies ahead for the industry in 1956.

The first of these is bond extension. Regardless of the numerous articles being published on the need for bonding period extension, the distilled spirits industry's statistics on maturing whisky stocks reveal that for the industry as a whole there is no excessive inventory problem. For over two years now whisky stocks maturing in Government warehouses have been holding at a level of 700 to 725 million Original Proof Gallons, meaning that production and usage have been running at the same rate.

Geo. Garvin Brown

Proponents of bond extension legislation express the feeling that the problem lies with the 200 plus million gallons produced in the Fall of 1950 and the Spring of 1951. This excessive production offers no problem since the industry can use up all of this stock before

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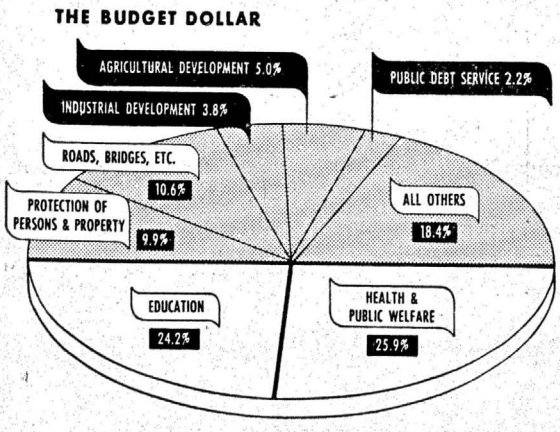
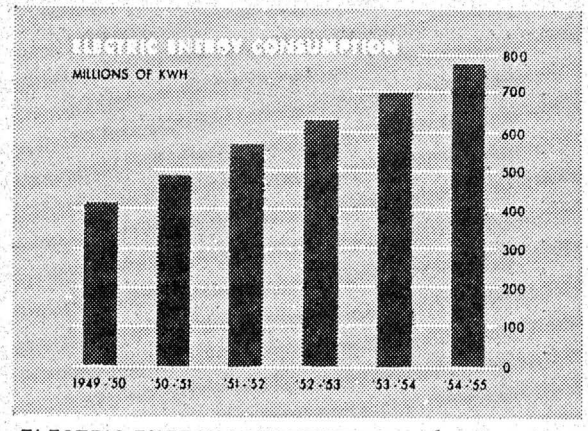
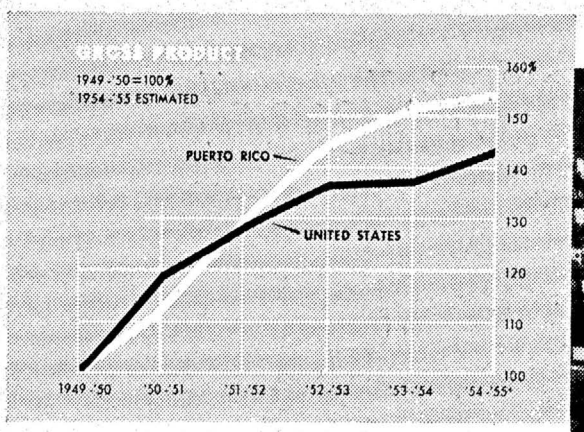
PUERTO RICO



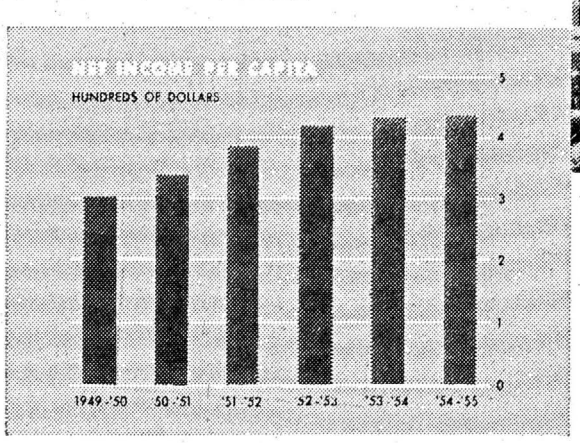
EDUCATION, HEALTH and public welfare account for half of the Puerto Rican budget. From 1940 to 1954 there was a gain in life expectancy from 46 years to 64 years.



ELECTRIC ENERGY CONSUMPTION rose from 411,726,648 KWH in 1949-50 to 774,933,164 KWH in 1954-55. The Puerto Rico Water Resources Authority, which provides this power, now has a capacity of almost 1,000,000,000 KWH.



GROSS PRODUCT has made tremendous gains. During the period from 1949-50 to 1954-55, the relative increase was greater than on the mainland. Puerto Rico's gross product in the fiscal year 1955 is estimated at $1,193,400,000.



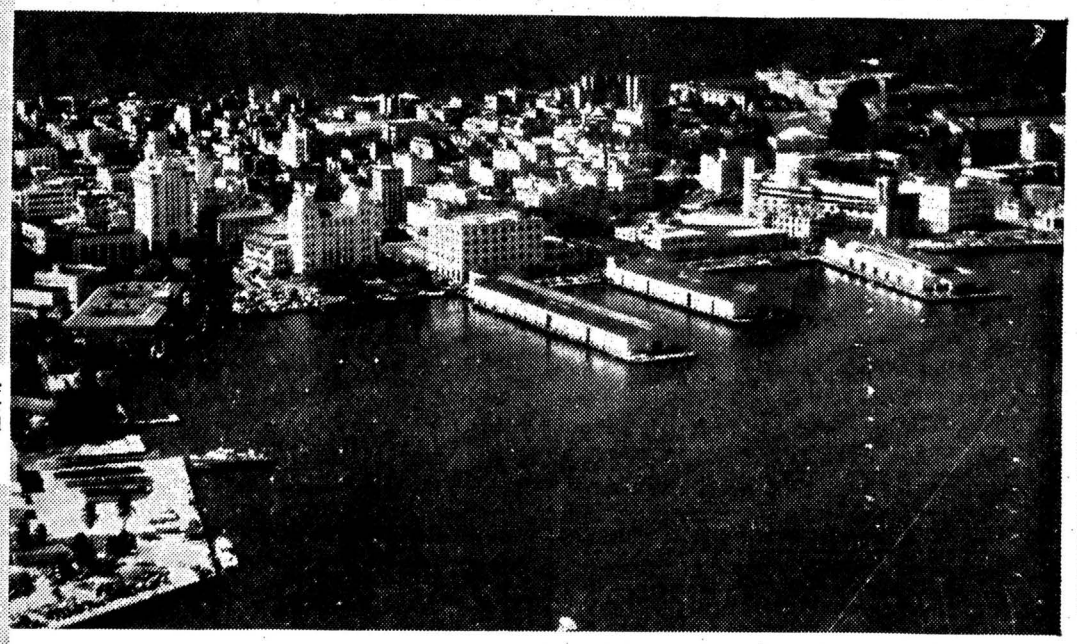
NET INCOME PER CAPITA rose from $301 in 1950 to $436 in 1955. The 1955 figure, while still low in the light of continental United States standards, is nevertheless higher than in the majority of the countries of the world.

Land of Action

Puerto Rico's amazing advances in industry, home construction, health, and public improvements since 1940 have been accompanied by only an insignificant rise in Puerto Rico's net public debt—and with tremendous increases in the resources available for debt payments.

In the past 15 years, Puerto Rico's net overlapping Government and Municipal debt has risen only from $44.5 millions to $55.9 millions, while the ratio of debt to assessed valuation declined from 14.3 percent to 5.7 percent.

Your attention is invited to the accompanying charts, which illustrate a few of the basic factors behind Puerto Rico's current development. Puerto Rico has always promptly met every payment of principal and interest due on its public debt. Investors have benefited by the generous tax-free yields available on Puerto Rico's public obligations.



Part of the downtown business district of San Juan, Capital of Puerto Rico.

Commonwealth of Puerto Rico

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

San Juan, Puerto Rico

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it reaches 7½ years, if it so chooses. In fact, the expected continuous growth of consumer preference of straight whiskies will enable the industry to withdraw these "Korean War stocks" long before 7½ years. Today's whisky supply is roughly 6½ years, a rate substantially under that seen in existence before the Korean War and nearly the same level as that existing prior to World War II.

The second major problem confronting the industry is that of excessive taxation. The present Federal excise tax of $10.50 per gallon has not only curtailed consumption, but has offered a strong incentive to moonshining and bootlegging on a large scale method of operation. Consumption of distilled spirits on an adult per capita basis has been 1.87 gallons for the past several years. In 1946 it ran 2.51 gallons per adult. Back in 1950, at a $9.00 per gallon Federal excise tax rate, consumption was 1.95 gallons per adult.

In 1954 consumers expended $4.3 billion for distilled spirits. This was 1.70% of their total buying power. In 1953 the share was 1.73% and in 1950, with a $9.00 tax rate, it was 1.88%. The 1946 record year saw it at 3.18%. In the several years before World War II, the industry's share of the consumer buying power averaged 2.25%; and in the early post-Repeal days the share was 1.70%, the same rate as today. However, two decades ago the economy was at the bottom of the largest depression period this country has ever witnessed. Today it rides the crest of our highest prosperity period. For 1955 estimated consumer expenditures for distilled spirits should approximate $4.4 to $4.5 billion. If realized, the industry's share of consumer disposable income would be about 1.66%. This is another indication of the strangling effect that the current tax rate has on this industry.

If the distilled spirits industry gets tax relief in 1956, and I strongly believe that the industry should accelerate all of its current efforts in driving home the need for such relief, at a $6.00 tax rate, as desperately needed, I look for consumption of distilled spirits in 1956 to run about 225 million gallons. If we do not get tax relief, consumption should again run around 200 million gallons.

EDWARD G. BUDD, JR.

President, The Budd Company

The record breaking pace at which the automobile industry has operated this year has been largely responsible for the high volume of our own production.

Our earnings during the year have been good, and the outlook for the future encouraged us to increase our quarterly dividend to $0.35 per common share during the last quarter.

Edward G. Budd, Jr.

The roster of our customers has included Chrysler, Ford, General Motors, Studebaker-Packard, Fruehauf and International Harvester. There have been changes and shifts in the amount and type of business that we have done for each of these customers, but we are highly gratified with the year's net results. Our program of modernizing and improving our manufacturing facilities has enabled us to maintain our position as the only large independent producer of automotive body components and will continue to increase the efficiency of our operation.

Among the improvements are enlarged and improved facilities for the manufacture of automobile and truck wheels and brake drums, tool and die making and the fabrication of highway trailer bodies.

Our tool making facilities, which have been greatly enlarged over the past year, are already booked to capacity. This activity is becoming an increasingly important portion of our business.

The new design for a lighter and more economical stainless steel trailer which we build for Fruehauf has been highly successful, and we have more than doubled our production during the year.

The outlook for our automotive business for next year is excellent. Most authorities are estimating a production of more than 7,000,000 passenger units by the industry in 1956. We will maintain our share of this business, and we expect the proportion of our wheel, chassis and tool production to increase.

The output of the Railway Division of 202 stainless steel railway passenger cars, including 79 self-propelled RDC's, was better than the 1954 total of 183 cars. This division continues to operate at a profit.

However, the importance of 1955 in the passenger car building railway industry is not gauged by production, but by the tremendous enthusiasm that has been generated in the design and construction of new types of trains.

The railroads have recognized the necessity of improving their passenger equipment, and are in the process of completely reappraising this important part of their service. At the present time, we have under construction three radically different types of new trains for three different railroads.

Recognizing the fact that the same type of equipment would not be suitable for operation in short-haul, multiple-stop service as in transcontinental "cruise-type" service, we have offered our customers a wide range of equipment with which to meet their varying problems.

For the Santa Fe's new "El Capitan," which will run between Chicago and Los Angeles, Budd is building five complete high-level passenger coach trains, with a maximum of comfort and luxury. For mid-distance and short-haul service, where high capacity and increased speed are required, the "Tubular" train for the Pennsylvania and the "Hot Rod" for the New Haven have definite advantages. The "Tubular" design makes possible savings in weight of 40% and has a lower center of gravity. The "Hot Rod," which is a streamlined six-car train of RDC's is designed for speeds up to 110 miles per hour between New York and Boston.

Another important innovation which we have developed and sold is the "Siesta Coach," a room-type sleeping accommodation for coach passengers which will be employed in the new Denver Zephyrs which we are building for the Burlington.

These and other new developments in railway passenger equipment indicate a very bright future for this part of our business. When the railroads have studied and evaluated all of these improvements, we are confident that a large number of cars will be ordered. Regardless of the type of equipment the railroads choose we have a distinct advantage in being the leader in the use of stainless steel construction. Years of experience have proved the advantages of stainless steel where light weight and greater strength are prime requirements and the savings in maintenance made possible by its resistance to corrosion are now acknowledged by railroad men throughout the country.

The Budd disc brake continues to grow in favor, and has virtually become standard on many important roads. In addition to 260 sets produced for new cars built by all three major builders, 124 sets have been sold for conversion jobs.

Although our defense business has not reached the large volume we desire, definite progress has been made during the year, particularly in the field of jet engines. Our knowledge of the use of stainless steel is proving highly valuable to us in the production of jet engine parts as well as in other phases of the aviation industry.

On June 30, Budd assumed ownership of the major assets of the Continental Diamond Fibre Company as the most important step in its diversification program. Since that time, CDF has been profitably operated as a wholly owned subsidiary. This operation, which provides

71st Consecutive Dividend

Nehi Corporation, makers of Royal Crown Cola, Nehi and Par-T-Pak Beverages . . . the most complete line of nationally-distributed soft drinks . . . announces the payment of its 71st consecutive dividend as of January 1, 1956.

Over 50 years of bottling know-how and experience have developed a franchise of well over 400 bottlers representing the Company's many diversified flavor lines.

1955 saw a growth in consumer sales and bottler franchises. Forecasts for 1956 look even more promising with expansion contemplated in the Can and Syrup Divisions.

NEHI CORPORATION
Columbus, Georgia

NEHI and PAR-T-PAK come in a variety of flavors!

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a well established position in the plastics field, will be gradually expanded.

In an effort to study and evaluate economically feasible commercial applications in the new and promising field of atomic energy, we established a Nuclear Energy Division. In September, we acquired the Gamma Corp. for the manufacture, sale and service of radiography equipment.

We are continuing to investigate fields in which we can further diversify our operations to insure maximum growth and stability for our company.

JOHN M. BUDD

President, Great Northern Railway Company

Looking to 1956, Great Northern anticipates a somewhat smaller volume of freight movement than for 1955, although revenues should be higher due to prospective increase in freight rates. There is a large volume of grain in storage in Great Northern territory and indications are that the iron ore movement for 1956 will be comparable with the tonnage handled in 1955. A much higher wage scale for all classes of employees, established in the Fall of 1955, will be effective for the entire year 1956 but any increase in freight rates permitted by the Interstate Commerce Commission will be operative for only part of the new year.

John M. Budd

In order to preserve its competitive position Great Northern is presently engaged in the construction of a new $6 million electronic classification yard that will result in substantial operating economies besides accelerating the freight movement. This yard will be in operation the late summer of 1956. Improvements to track structure and the use of radio and centralized traffic control will be extended.

New equipment on order includes 1,750 box cars and 500 hopper and gondola cars as well as 44 units of new diesel motive power.

Earnings for 1956 will be determined largely by the size of the crop of agricultural products. With a larger than normal carry-over of grain in storage at the beginning of the year, it is expected that the net income for 1956 will closely approach but be somewhat less than that of the record year 1955.

HON. HARRY F. BYRD

U. S. Senator from Virginia

The legislative outlook for 1956 encompasses both difficult and extremely important proposals before the new session of Congress.

The Senate Finance Committee alone already has more than 100 bills pending before it, and this is exclusive of legislation extending the Korean excise, and corporation taxes which expire March 31.

Harry F. Byrd

Among the more important bills to be taken up immediately by the Committee are the so-called Sugar Bill, Social Security, and the bill to establish a tax formula for life insurance companies. In addition to these bills and the tax bill which must originate in the House of Representatives, the Senate Committee has before it such other major legislation as that dealing with military survivors benefits and simplification of customs.

The Sugar Bill would extend the Sugar Act of 1948 which distributes U. S. consumption of sugar on a quota system as between that produced in the United States, and that produced off-shore.

The tax law for life insurance companies is at present on a stop-gap basis. Effort will be made to enact new legislation before the March 15 filing date for final 1955 corporate income tax returns. The Joint Committee on Internal Revenue Taxation has been working on this legislation during the recess of Congress.

The Social Security Bill, as passed last year by the House of Representatives, proposes extension of old-age and survivors insurance coverage to all self-employed professional groups now excluded, except medical doctors. The bill would also reduce retirement age for women workers from 65 to 62; provide for disability benefits at age 50, and continue survivor or dependent benefits to disabled children after age 18. The President indicated in his State of the Union Message that there would be further recommendations on this bill.

We have also the so-called survivor benefits bill, which would bring all military service personnel into the Social Security System on a contributory basis, revise the schedule for payments to widows, children and dependent parents of Armed Forces personnel where death is service-connected, and liberalize eligibility for death gratuity payments.

Both the Social Security and survivor benefits proposals will have to be considered, among other aspects, in terms of their effect on the social security trust fund.

The Customs Simplification Bill proposes improved procedures for valuation of imports and the conversion of foreign currency into dollars for the purpose of assessing customs duties.

The President indicated in his State of the Union Message that the Administration will propose another year's extension of the present 52% corporate tax rate and the Korean war excise taxes on automobiles, trucks, gasoline, cigarettes and alcoholic beverages. It was estimated last year that allowing the extra 5% on corporations and these excise taxes to expire would result in an ultimate loss of revenue totaling $2.1 billion.

Last year when the bill to extend them one year was before the House of Representatives it was amended to allow each taxpayer and his dependents a $20 individual income tax credit. The Senate Finance Committee at that time rejected the $20 amendment.

When the Finance Committee considers such legislation as this, it must have in mind that the Federal debt is now practically $280 billion, with very little cash balance in the Treasury. This may be compared with the fact that in the year in which World War II ended our debt was $268.9 billion, and against that we had a Treasury balance of $14.2 billion, which made the net debt $254.7 billion.

Meanwhile the Administration has already indicated that it will propose increases in appropriations for military, foreign aid, and numerous domestic-civilian programs.

In dealing with any proposals to reduce taxes we must keep in mind that if the budget should be balanced this year it will be the result of increased revenue; not reduced expenditures. On the contrary, expenditures are increasing all along the line. The increased revenue is due to unexpected 'cream" on the boom we have been experiencing. National income could go down $10 billion from its present level without creating even a recession, but such a reduction would cut Federal revenue $2.5 billion.

With our debt at its terrible heights, we can not take chances with increasing it, short of dire emergency.

No one is more aware of the fact that present Federal taxes are burdensome, but I do not believe tax reduction can be justified under present conditions. I shall oppose tax reduction until the budget is surely balanced and substantial reduction is made in the Federal debt.

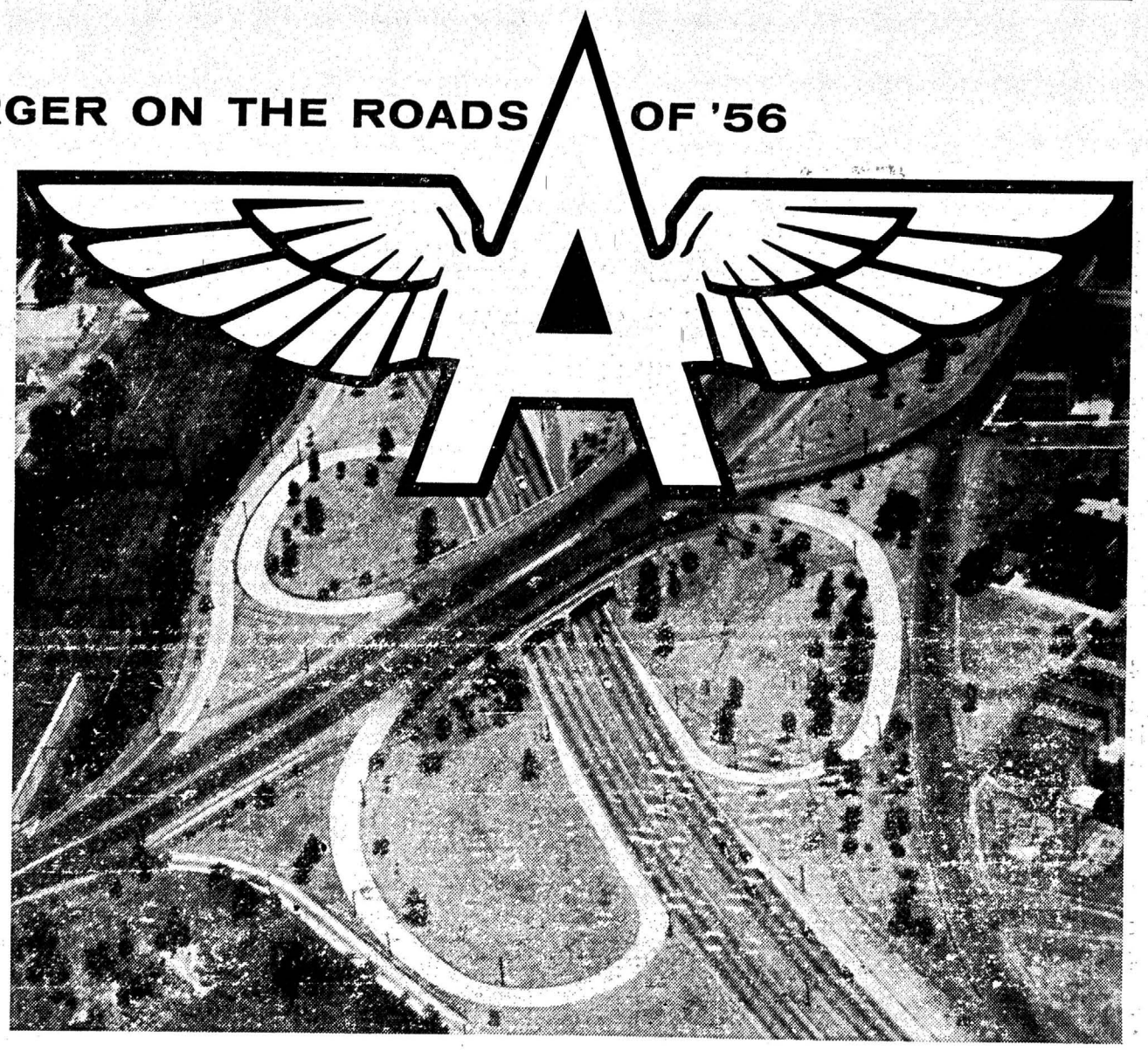
Continued on page 54

LOOMING LARGER ON THE ROADS OF '56

The "Flying A" will loom even larger in the year ahead—on America's roads and on every front of petroleum progress—as Tide Water Associated expands all its operations from well to consumer. This expansion includes the giant new Delaware "Flying A" refinery scheduled to go into operation late in the year. The symbol of the "Flying A" has long been outstanding for *quality*...quality that now is brilliantly exemplified in today's great "Flying A" Ethyl gasoline and in the new Veedol 10-30 Motor Oil. This quality will continue pre-eminent as the Company's refining and distribution achieve new heights in 1956.

New Veedol 10-30 Motor Oil gives you Highest Octane Performance, Greater Gasoline mileage!

TIDE WATER ASSOCIATED OIL COMPANY
New York • San Francisco • Houston • Tulsa



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HARRY A. BULLIS

Chairman, General Mills, Inc.

The year just ended was marked by an upsurge in our economy which carried national production and national income to new high levels. Business continued to invest heavily in new plant and equipment and consumers continued to spend freely for all types of goods and services.

Harry A. Bullis

The effect of tax reductions which bolstered disposable income in 1954 carried into 1955, and workers received added income gains from both longer hours and wage increases.

As a result of enlarged corporate and personal incomes, the tax base was enlarged and the increased tax take offset the reduction in rates. The economic expansion brought about a strong fiscal position.

The confidence of consumers was reflected not only in greater spending but also in their willingness to go into debt to finance their purchases. So we enter 1956 with the economy running in high gear, and Gross National Product about to break $400 billion on an annual basis. Industry has indicated plans for capital expenditures for 1956 which will exceed the 1955 expenditures by 13%. While inventories have increased they do not seem to be excessive in view of the high sales, the back-log of new orders and the large outlays for new houses, schools, hospitals and highways. However, it does not seem likely that there will be further build-up of inventories.

It is probable that Federal expenditures will remain at about the present level although there may be some increase in foreign economic aid. Exports may increase a little.

Thus it would appear that further economic expansion in 1956 will need to come primarily from increased business investment, investments in housing, schools, highways and other public projects, together with increased spending by consumers.

Incomes of workers will continue to increase and there will be more people employed, so total personal disposable income will be larger.

Consumers will face a problem of debt repayment in 1956. They will desire the additional goods which the economy is capable of producing and they will buy freely, but they may not want to enlarge their debt.

The rate of economic gain may be a bit lower this year, but it will still be a good year even if the upward trend flattens out. If the rate slows too much it will be possible to adjust economic policies and reduce taxes so that consumers will have more money to spend.

American families continue to eat very well. Although their food purchases in 1955 represented a slightly smaller percentage of total personal consumption expenditures than in 1954, the total food bill was up by about $3 billion, according to Department of Commerce data. In the third quarter of 1955 consumers were spending for food and beverages at the healthy rate of $77.5 billion annually.

The index of retail food prices has shown very small fluctuations during the past year, even though the prices farmers have received for many of their products have declined. Processing and distributing costs constitute a large part of the prices paid by consumers and such costs are increasing rather than decreasing.

Consumer expenditures for food will continue to increase in 1956, because population is increasing and the large number of growing children require more food each year. More attention is being paid to nutritional balance in the diet. The American housewife understands quality and she also wants convenience and ease of preparation. These factors account for the upward trend in the consumption of ready-to-eat cereals and the phenomenal growth of packaged mixes which save time and effort in the home.

I believe business conditions will be good in 1956, and that it will be an excellent year for the food industry, even though competition for the consumer's dollar will be greater than ever.

JAMES H. CARMINE

President, Philco Corporation

The electronics industry has just ended the most productive year in its history and has every reason to look forward to another record year in 1956. When the final figures are in they will show a record number of over 7,400,000 television receivers manufactured and sold in 1955. We expect about the same number of black-and-white receivers will be manufactured in the coming year. In addition, color television will move toward larger-scale production.

James H. Carmine

There are several factors which point to another record for the television industry in 1956.

First, production and sales during the past year were nearly in balance, leaving us in an excellent inventory position to take advantage of the splendid general business conditions forecast for 1956.

Second, about one out of five television sets is being sold today to replace old sets which are inadequate by present day standards of picture quality, small picture screens or as second sets in the home. We expect replacement and second set market to increase sharply in the coming year.

Third, we expect customer preference for higher priced, better quality TV receivers to continue. This trend was particularly noticeable during the Fall selling season and contributed to a substantial increase in dollar volume of television sales.

Color Television Closer

Fourth, color television in 1956 will become a factor—although still a relatively small one—in the television market. Even though sales of color television receivers may not exceed 250,000 in 1956, they will have an important effect on the year's total dollar volume of business, opening the door for large-scale commercial production in 1957.

Black-and-white television experienced its greatest era of growth during the telecasts of the Republican and Democratic national conventions, and the subsequent election campaign, in 1952. History may very well repeat this year. With color, our candidates will have to give careful consideration to their appearances before the public. Some colors on television are certainly not flattering. Our candidates will have to look to their attire in general, and so will their wives.

Aside from television, the electronics industry is headed for new records in 1956. Radio sales last year were over 14 million sets, and phonographs were more popular than ever. Although the high rate of automobile production contributed substantially to radio volume, sales of home radios, notably portables, clock radios and personal sets, were excellent.

Major Advance in Transistors

The development of new types of transistors and the discovery of new uses for these devices are giving added impetus daily to the growth of the electronics industry. Government plans for increased production of guided missiles, radar and communications systems promise greater activity for those companies which, like Philco, are in the vanguard of the research, development and production programs for the nation's defense.

During the first quarter of 1956, Philco will open a new plant especially equipped and completely air-conditioned for the mass production of transistors, diodes and other semi-conductor devices. We expect this to become a very important segment of Philco business during 1956 and increase manyfold in 1957. Philco is already one of the largest producers of transistors in the country.

During 1955, Philco substantially increased its capacity to manufacture home appliances at its new appliance center in Connersville, Ind. We expect this phase of our business to increase in 1956 with the introduction of completely new lines of refrigerators, ranges, air conditioners, washing machines and other appliances of revolutionary design and new standards of performance.

Increase in Appliance Sales

Industry estimates of appliance sales in 1956 are for increases between four and 12% over 1955. One of the most logical areas for increased sales is in the field of air conditioning. There is every reason to expect an acceleration of the growth in this industry which has seen sales increase from 195,000 units in 1950 to about 1,150,000 in 1955. Sales of room air conditioners during the present year should top 1,500,000 units.

We also estimate industry sales of refrigerators will exceed 1955 by about 10%, and total slightly more than 4,000,000 units. The greater use of frozen foods will stimulate sales of home freezers and we anticipate a substantial increase in sales of electric ranges.

There are many indications that 1956 will see the further rapid expansion of automatic laundry equipment including both washers and dryers. This field in the appliance industry offers tremendous opportunities for expansion and we expect sales to be up from 10 to 12%.

In short, 1956 promises to offer new opportunities for growth and progress in all phases of electronics and appliances. Competitive conditions will again be the order of the day. However, with new and distinctive products embodying new features, and a strong merchandising program, Philco expects to share fully in the expanded volume 1956 should bring.

GEORGE S. CASE, Jr.

President, The Lamson & Sessions Co.

Last year was a year of great surprise at the upsurge of business. The surprise of 1956 may be that the upsurge will continue or that it will taper off sooner and faster than most people anticipate. Our guess is that 1956 will be slightly better than 1955.

George S. Case, Jr.

Competition will be no less. Costs will rise, and passing on these costs will still be hard. Improvements to plant and equipment will be required to keep these costs in line. Most concerns have these improvements planned. Our company is spending $6½ million in the next two years to build two modern plants.

In short, we are not over-confident about 1956. We are very confident about the long range picture.

O. W. CASPERSEN

President, Beneficial Finance Company

Beneficial Finance Co. makes small loans to consumers in almost a thousand offices throughout Canada, Hawaii and the United States. We are very close to the consumer and help to ease his mind from the pressure of creditors, lift his level of consumption and aid him to take advantage of opportunities. We know how he rations himself according to his judgment of the economic outlook. In days of job uncertainty, he budgets himself to keep free of future commitments and to build a nest-egg against rainy days. In happier days, he freely buys on time payments or borrows on the instalment plan.

O. W. Caspersen

So confident has the consumer been about the economic outlook that he not only bought more than ever, both for cash and for credit, but he cut additions to his savings by some $2 billion below 1954.

Our physical plant, equipment and labor force are bumping against capacity. In spite of the uncertainties of a Presidential election year, farm income, and whether the auto industry can again come near the record output of 1955, that near-capacity operation will continue in 1956. Inflation rather than deflation will be the concern.

My view is that tightening credit will hold excesses in check as new capacity comes into being from the capital expenditures of the last two years.

Rising wage rates, including minimum-wage hike next March, and possible Federal income cuts, will boost consumer incomes.

Consumers will spend their higher incomes freely and will be generous users of credit.

Beneficial should do better in 1956 than in 1955.

GILBERT W. CHAPMAN

President, Yale & Towne Manufacturing Company

During 1956, from all present indications, business will continue at extremely high levels. The tremendous momentum of 1955 which carried the economy to new peaks of output, employment and family income, and new records in such basic industries as construction, automobiles and steel, seems certain to carry over for at least the first six months of 1956. A continuation of credit restraint and the tightened money situation, if maintained during the year, should result in a leveling off during the last half in new housing starts, automotive volume and consumer hard goods. The economy in total, however, is fundamentally sound and will continue to function at levels comparable to those in the year just ended. The Yale & Towne Manufacturing Company enters 1956 with overall improvement in sales and earnings, and, more significantly, with its production and distributive facilities, both here and abroad, greatly strengthened. This condition is true of both our materials handling equipment business and our hardware business. In our newest area of diversification—the powdered metals products business, now confined to domestic operations—we have also expanded greatly to meet the growing demands in this relatively new field of metallurgy.

Gilbert W. Chapman

Yale & Towne's materials handling equipment business is now in active expansion throughout the free world. Our domestic materials handling plants have undergone large scale capital improvement programs and overall production capacity has been substantially increased. Both for a very wide variety of industrial lift trucks and industrial hoists, we see a substantial increase in sales during 1956. This confidence is based on such factors as the increasing trend toward automation and mechanization, the tightness of the labor market which is forcing many enterprises to mechanize handling operations, and the pressing need everywhere to reduce costs of production and distribution. In the latter regard, one of the remaining important areas of cost reduction for many companies continues to be in their materials handling.

Internationally, our materials handling business is expanding at a rate perhaps greater than in the United States. Yale & Towne is now producing industrial lift trucks and hoists in Yale & Towne's Divisions in both Great Britain and Germany; and through licensed arrangements, our equipmment is being produced in France, Belgium, Italy, Spain and Japan. The trend abroad toward modern materials handling equipment is in its beginning stage and will unquestionably gain increasing momentum in the months ahead.

Yale & Towne's prospects in the materials handling equipment business are bright and on a world-wide basis promise an increase in sales this year of between 20% to 25% over last year.

In the lock and hardware side of our business, despite a forecast decline in new housing starts, Yale & Towne expects to reach an all-time record volume of sales. A complete reorganization of our domestic hardware operations has been substantially accomplished. This has involved the erection of new hardware plants, the modernization of manufacturing methods, the development of many major new lines of product, the establishment of a warehouse network, and large-scale expansion of

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Business Opportunities Inherent in Nuclear Energy: O. B. Falls

district, took over our atomic energy activities. For the duration of the war, we furnished men, machinery, equipment, and technical know-how and assistance to Manhattan District projects at Oak Ridge and Hanford.

At the close of World War II, the Atomic Energy Commission asked General Electric to take over the operation of its Hanford Works at Richland, Washington, which we did in 1946.

In the nine years that we have operated Hanford, the production of plutonium has grown tremendously, while the cost of producing it has been reduced unbelievably.

It has been one of the greatest industrial achievements of the decade. Our Hanford Story is one that we, in General Electric, are justly proud of, and it is a story that, when it can be told, should be gratifying to the American taxpayers.

(3) Also in 1946, and across the continent from Hanford, the General Electric Company established the Knolls Atomic Power Laboratory in Schenectady for the Atomic Energy Commission. At KAPL, as we know the Laboratory, we have built the first sodium-cooled power reactor. It is in the prototype submarine hull in the big sphere at West Milton near Schenectady. This submarine intermediate reactor (SIR) has operated in a most satisfactory manner, and a duplicate will power the USS Sea Wolf, which was launched in July at Groton, Connecticut. The SAR Project, standing for **"submarine advanced reactor,"** is also in progress at the Knolls Atomic Power Laboratory, and will power a successor to the Sea Wolf that will have even greater power potential.

(4) The General Electric Company was asked in 1951 to join in the nuclear aircraft propulsion program, and we established our Aircraft Nuclear Propulsion Department at Evendale, Ohio, near Cincinnati. There, research and development is going forward on the nuclear power plant for a military aircraft. This operation also includes some test facilities at the National Reactor Testing Station near Idaho Falls, Idaho. The tightest veil of secrecy surrounds the project. However, based on our four years' experience with aircraft nuclear propulsion, we are certain that atomic-powered military aircraft can be produced and will have possibilities well worth their cost.

Thus, when we established our Atomic Power Study in 1953, to work on the problems of generating electricity from the heat of atomic fission, we had 14 years of atomic energy background, including the operation of Hanford's tremendous graphite moderated reactors, its separations and reprocessing plants, reactor power plants for submarines, and work on a reactor power plant for aircraft. We brought our experience in research, engineering and manufacturing skill to bear on the problem of power reactors for generating electricity from nuclear energy.

With this experience as background, our activities this year are typical of the advances being made in this field. Last January, General Electric isolated the first isotope occurring in nature to be found in six years. This was the radioactive isotope of tantalum, TA-180. Before this discovery, tantalum, a metal sometimes used in place of platinum, was believed to have only one isotope, with a mass number of 181. The new isotope was identified by use of a new mass spectrometer, 100 times more sensitive than any similar instrument then being used to seek out isotopes. This new instrument was designed by General Electric, and, when we uncovered this new radioactive isotope of tantalum, was being used in a systematic search of the elements carried on as a means of understanding the nuclear structure of many metals.

On July 18, the first commercially distributed electricity made available for use in homes, industries and farms of the free world was generated from atomic power at West Milton, N. Y. This power was distributed over the lines of the Niagara-Mohawk Power Company. The 10,000-kw generating equipment and plant was installed and is being operated at no cost to the Government by General Electric. Steam is obtained from the prototype submarine intermediate reactor inside the sphere, and income from the sale of electricity will go to the Government.

While General Electric is not in the power producing business, it installed and operated this equipment so that it would be pos-

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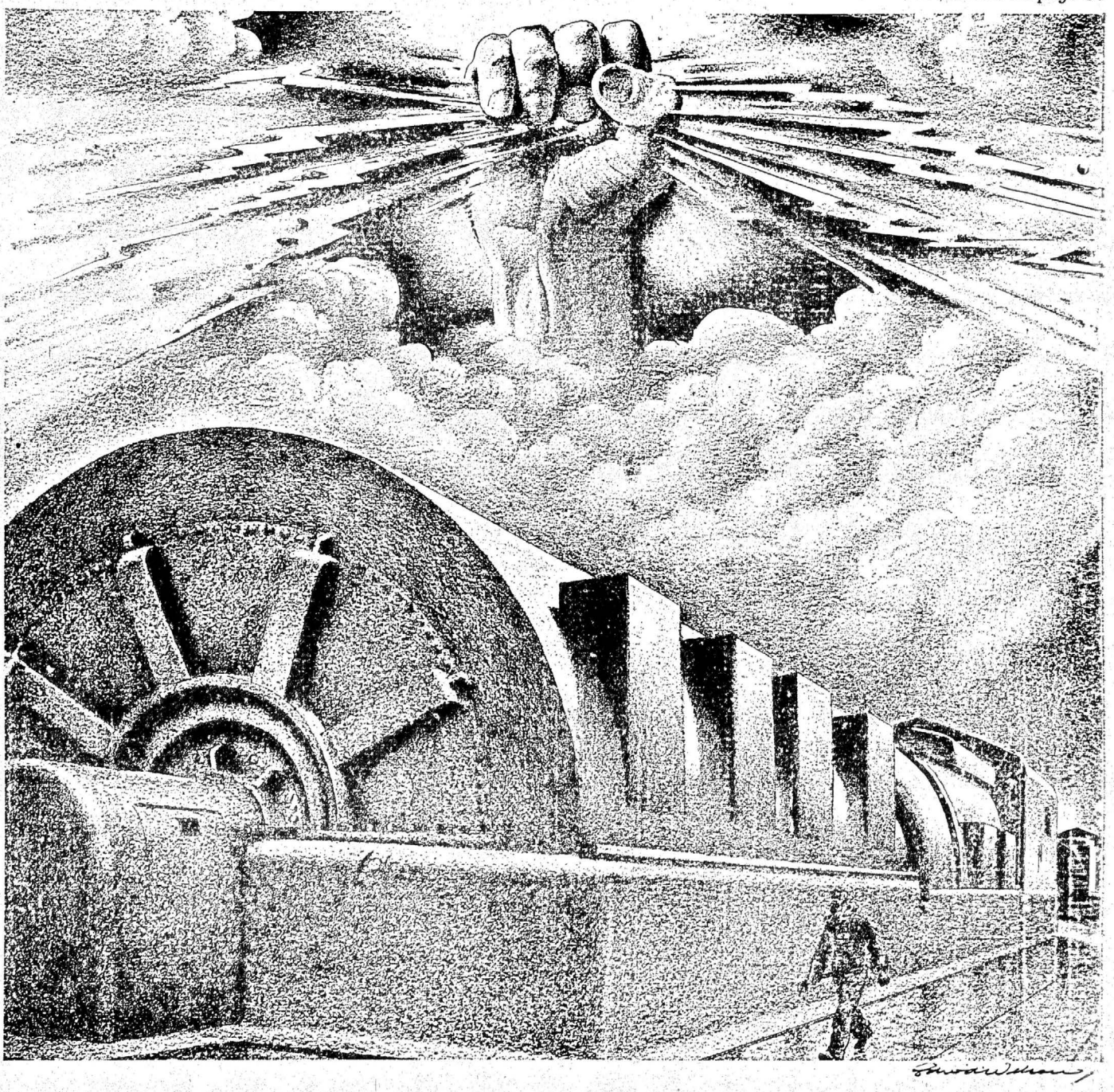

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distribution. The company is now strongly equipped to serve in a substantial degree all of the major segments of the home building and heavier construction markets, as well as the hardware retail trade. The company's plans for 1956 envisage a substantial increase, on a world-wide basis, in Yale hardware volume.

Competition, of course, is expected to be even more intense than last year, but in all our major operations, by virtue of our advanced facilities and greatly expanded product lines, we look for a greater share of the markets in which we are active. In keeping with the highly demanding requirements of a dynamic economy, we are also increasing the scope of our design and development activities under the central direction of the Yale Research Center, at Valley Forge, Pa.

HON. EMANUEL CELLER

U. S. Congressman from New York
Chairman, House Committee on the Judiciary

Undoubtedly the forthcoming elections will becloud many of the issues and much that is said and done will reflect this political climate. To my mind, one of the main issues will be that of the conduct of foreign affairs and the nature of our foreign policy. There are some who contend that foreign policy is not debatable. To say that the foreign policy of an incumbent Administration must not be debated is, I maintain, to deny the democratic process. In these times, both domestic and foreign policy are so inextricably woven together that viewing internal matters without relation to foreign policy must present a picture totally out of perspective. To be sure, the debate on foreign policy should exclude rancor, deliberate misstatement, and criticism for criticism's sake only. But I maintain that the debate of foreign policy of an Administration is not only valid but necessary. I personally believe that the United States policy in the Middle East is most dangerous. In this area Mr. Dulles is like Mr. Micawber —always waiting for something to turn up. Open debate on the subject could force formulation of a workable policy.

Emanuel Celler

Another legislative battle will take place on the farm problem which is perennially with us. City Democrats are as anxious to help the farmers as are representatives of rural districts. We shall support a return to 90% parity. That is not the complete answer, but it is the best we have been able to find.

We in Congress will face the issue of taxes. I believe there should be no reduction of taxes if such a cut will affect adversely our national defense. It is my belief that before taxes can be cut, payment must be made on the reduction of debt. If national defense will not suffer and if payment is made on the debt, I believe then that relief should be given to the public by the reduction of excise taxes which weigh heavy on the low income bracket groups.

The Congress will find itself on the battle fronts of Federal aid to education, the issues involved in civil rights (particularly since the occurrence of violence in Mississippi), and also on the issue of our immigration policy.

These will highlight the coming session.

J. LUTHER CLEVELAND

Chairman, Guaranty Trust Company of New York

American business has completed one of the best years in its history, and the general feeling with respect to the outlook for 1956 is unquestionably one of optimism. It is recognized, of course, that an economy which is already operating at or close to the limit of its physical capacity cannot be expected to continue expanding at the exceptional pace that prevailed during most of 1955. The best than can be hoped for is a rate of growth geared to the increase in the labor force and the rise in productivity. An increase in total output equal to half the gain achieved last year should probably be regarded as highly satisfactory.

J. Luther Cleveland

Recently, as evidence has accumulated that the boom is tending to round off at the top, a note of greater caution has crept into the statements of many business analysts. This is presumably due in part to recognition of the historical fact that business activity has not usually continued long at the very peak. It may be due in part to recollection of the rather unfavorable forecasting record of early 1955, when most analysts greatly underestimated the force of the developing boom.

It is not difficult, however, to point to some factors indicating the desirability of conservatism in business expectations for 1956. For example, it is not clear that retail trade in the closing months of last year measured up to normal seasonal experience. To some extent, though not entirely, this uncertain showing reflects a considerably more moderate volume of automobile sales than in the corresponding period of the 1954-55 model year. As a result, some automobile manufacturers have made downward revisions in their estimates of output for the current season as a whole. New housing starts have already declined and are expected to remain at a lower level than in 1955, although the effect of the decrease may be more than offset by the larger average size of new homes and by an expanding volume of non-residential construction. Manufacturers' new orders have shown a tendency to level off and inventories to increase more substantially.

It is probably too early to judge whether such scattered bits of evidence are the first forewarnings of a coming change in the general business trend. Even if they are, it seems likely that the sheer momentum of business will carry it through at least the early part of 1956 at a high level of activity.

L. L. COLBERT

President, Chrysler Corporation

During the past 12 months the automobile industry has built more passenger cars and trucks than in any previous year—and in my opinion this new high level of production is not a temporary phenomenon.

In 1955 for the first time we have seen a clear indication of the real size of the demand for automobiles in this country. The past year has given the economy as a whole the chance to demonstrate what it could do when performing without artificial stimulus or restriction and in an atmosphere of general confidence. In most other postwar years, limitations of one kind or another were imposed on production, and in 1954 there was considerable uncertainty which came from the temporary business recession.

L. L. Colbert

No part of the nation's economy has outperformed the automobile industry in the past year. The number of new cars built during 1955 will come close to 8 million as compared to the previous high of 6.7 million in 1950. The wholesale value of these cars is estimated at $12 billion, as compared with the previous high annual value of $9 billion for cars built in 1953.

At Chrysler Corporation alone shipments of passenger cars from our United States plants during 1955 will amount to approximately 1,361,000. This is the biggest year in our history. The previous high was set in 1953, when shipments of cars amounted to 1,238,161.

In the last quarter of 1955 we shipped approximately 373,000 automobiles from our United States plants as compared with 260,000 in the last quarter of 1954.

As we look forward to future markets for automobiles in this country, we are confident that the growth in demand for cars will be continued and strengthened. For one thing, the economy gives every indication of providing high employment and a high level of personal income in 1956. And beyond 1956 the tremendous and expanding needs of this country will keep employment and income high.

Another strong force helping to create new demand for automobiles is the rapid growth of the population, and especially the growth of the suburban population. Recent Census Bureau figures show, for instance, that in the past five years, while the total population of the United States was growing by 11.8 million, the population of the suburban areas was growing by 9.6 million.

This move to the suburbs is a major factor in the rapid rise in the number of two- and three-car families. Recent studies show that in the past two years the number of families owning two or more cars has increased by about 76%. In August of 1953 there were about 3.4 million multiple-car families. In August of 1955 the number had increased to more than 6 million. A dramatic recognition of the trend toward multiple-car ownership was the recent announcement by a national group of insurance underwriters that substantial reductions on automobile insurance rates would be offered under certain conditions to families owning more than one car.

One of the clearest indications of the strong demand for cars in this country is the excellent market for used cars during the past year. It has been estimated that the number of used cars sold during 1955 by new and used-car dealers was about 15 million, an all-time record. And while this record number of used cars was being sold, used-car prices held firm.

Chrysler Corporation dealers have had a very good year. The latest available reports on our dealers' earnings show that their average net dollar profit was the highest since 1952 and the return on their investment in 1955 was at the highest level since 1951.

People generally are showing confidence in the economy and its future. The Survey Research Center of the University of Michigan in a survey conducted in October, found a high degree of confidence and optimism on the part of the buying public. These studies showed that about 45% of the nation's families were carrying some instalment debt. Three-fourths of these families said they were finding no difficulty in making their payments. The same survey revealed definite and widespread intentions to buy both new and used cars during the next 12 months.

At Chrysler Corporation we are looking forward to an increasing demand for our products. We have been laying plans accordingly and acting on those plans. In the past year we have invested $130 million in expanded and modernized plant and equipment. Two of the most important plants built during 1955 were the Plymouth Engine Plant near Detroit and the new transmission plant at Kokomo, Ind. The Plymouth Engine Plant, which went into production in July, has been widely acclaimed as the most advanced automotive plant now in existence. Pilot production of automatic transmissions at the Kokomo plant started in November, only eight months after ground breaking last March.

What we have done in building and equipping new plants in 1955 is only a start on our long-range investment program. The way it looks right now, taking into account the demand for our products and plans for modernizing our plant and equipment, in the next five years we will put over a billion dollars on the line for capital improvements and expansion. This amount is exclusive of tooling. It includes the cost of land, buildings, machinery and other equipment.

Next month we will break ground at Twinsburg, Ohio, for a new steel stamping plant for making automotive body parts. This plant will be the most advanced facility of its kind in the industry. It will house 28 lines of stamping presses and will turn out approximately 300 different types of stampings to be used in Chrysler Corporation plants in Michigan, Indiana and California. This is only the first of the new facilities we have planned to meet the demand for our products in the years ahead and to prepare us to meet the tremendous expansion of demand anticipated for the 1960's.

Again this year Chrysler Corporation has led the industry in the number and diversity of innovations in its new models. Most striking of these innovations, perhaps, is the pushbutton drive selector which has brought a new simplicity and ease to driving. In addition, it has been widely recognized as a major contribution to safe driving, since it transfers the transmission controls to the driver's left, out of the reach of children and other passengers.

Among the other innovations in the 1956 Chrysler Corporation cars are the Highway Hi-Fi, a record player built into the control panel; LifeGuard door latches, which virtually eliminate the possibility of doors coming open under collision impact; safety seat belts which meet the specifications of the Civil Aeronautics Administration for belt installations in commercial aircraft, and greatly improved, Center-Plane drum brakes.

We at Chrysler Corporation made good progress in 1955 and we are confident that with the new qualities of safety, comfort, beauty and performance built into our 1956 models we will make more progress during the year ahead. We are not satisfied with our present share of the automobile market, and the entire company is determined to make the advances in 1955 a start toward a highly successful future.

S. SLOAN COLT

President, Bankers Trust Company, New York City

The start of 1956 sees business confidence at a very high level. With personal incomes rising, consumers are expected to continue expanding their total outlays for goods and services. Business intends to step up its spending on plant and equipment. State and local governments are planning further increases in public works and other expenditures in 1956, and Federal spending, too, is likely to be somewhat higher. Thus, the prospect is that production and income in the year ahead may exceed even the banner year 1955.

S. Sloan Colt

However, some of the key demands which contributed so much to the rapid pace of business expansion in 1955 may show some easing in 1956. Both automobile production and housing starts have evidenced some weakness of late, at least in comparison with their booming activity a year ago, and it is widely expected that neither will do quite as well in the year ahead as in 1955. The present high level of individual indebtedness may be a restraining influence. There is little evidence at this moment that the decrease in demands either for autos or for homes in 1956 will be so great as to turn the entire economy downward; however, the effect may well be to help moderate the rate of growth.

Commercial banks, which met record loan demands in 1955, face another increase in loan requirements in 1956, although if economic expansion proceeds at a more temperate pace, the prospective rise in credit needs for the year as a whole is likely to be of considerably smaller magnitude than during the rapid business advance in 1955. Some repayment of seasonal financing is expected in the early months of the year, but borrowing for tax purposes is expected to be fully as large as last year. Also, business may expand borrowings somewhat further as inventories continue to be built up for some time ahead. However, part of the increase in bank loans in 1955 represented temporary accommodation on behalf of institutional investors in mortgages, which is not expected to continue on the present scale throughout 1956. Loans to real estate will probably show further growth, but at a somewhat slower pace in view of the expected lower trend in housing starts. Furthermore, growth in instalment loans, which was so pronounced in 1955, is certain to be moderated substantially as debt repayments begin to mount.

Whether the prospect of a smaller increase in bank loans in 1956 will be accompanied by an easier tone in the money market will depend, on balance, on Federal Reserve policy. The authorities in 1955 have demonstrated their awareness of the dangers to stable economic growth that accompany an excessive pace of business expansion. Already, steel and other basic industrial materials have become scarce, skilled labor is growing short, and the index of industrial commodity prices has risen to all-time peaks. With many industries operating at capacity, any important or sudden increase in demands could well have sharp inflation-

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Business Opportunities Inherent in Nuclear Energy: O. B. Falls

sible to demonstrate the peacetime use of atomic power in the free world in the earliest possible time. This was fostered by a deep belief on the part of the Company that the generation of power for utility use from a nuclear source is extremely important to our national interests.

As announced on March 25, 1955 by the Government of Canada, the Canadian General Electric Company will design and build Canada's first atomic electric plant. This will be a $15 million experimental nuclear power station, producing 20,000 kw of electricity. Ground will probably be broken this year, with completion of the plant scheduled for 1958.

Also, this past Spring, we announced the General Electric Dual-Cycle Boiling Water Reactor. This new design will be able to produce several times as much power in a given size as its predecessor, the direct boiling reactor, and approaches competitive generating costs of ordinary steam-power plants.

Then, on March 31, an announcement was made by Willis Gale, Chairman of the Board of Commownealth Edison Company, that Commonwealth Edison had selected the General Electric Company to be the prime contractor to build a full scale nuclear power plant in the Chicago area, using the Dual-Cycle boiling reactor. It will have an electrical power output of 180,000 kw, and will be the world's largest all-nuclear power plant.

Commonwealth will be joined by the other members of the Nuclear Power Group in carrying out this project. It will be completely financed by private capital. The Pacific Gas and Electric Company and Bechtel Corporation—both of San Francisco — are members of the Nuclear Power Group. Bechtel is working for General Electric as architect-engineer in construction of this plant.

Today's status of the project: the contract has been signed, preliminary approval of site has been given by the Safeguards Committee, and the AEC has indicated its willingness to issue the necessary license to begin construction.

We are, thus, bringing our 16 years of nuclear experience into the development of atomic reactors for electric power. While we go into the development of the dual-cycle boiling reactor for Commonwealth, we are continuing our study of other reactors—for which we feel there is a future in both the small power plant reactor and in large-scale reactors.

Nuclear Energy Uses

Although we can be sure that there will ultimately be major applications of nuclear energy for transportation, for heating, and in chemical processing, there is little question but that the greatest presently foreseeable application will be in the production of electric power. Our forecast on the percentage of new generating plants, added to utility systems in the United States which will be nuclear-fueled, starts out with a low figure of around 2% in 1965. We estimate that there will be substantial activity after that, resulting in 14% of the plants going in service in 1970 being nuclear. Our analysis indicates that once nuclear plants become competitive, they will expand rather rapidly—increasing to 65% of new additions by 1980.

One of the factors which will affect this rate of growth will be the cost of the nuclear plant in relation to the conventional plant. At the present time, and probably until 1960, the cost of building an atomic power-generating plant of the boiling reactor type is estimated at somewhere between $200 and $270 per kilowatt, while the cost of building a conventionally fueled steam plant of the same size would be about $150 to $175 per kilowatt. Many individual items in each plant cost about the same, since certain apparatus is constant, regardless of the energy source used. But some of the components for the nuclear plant are presently very expensive, compared with their equivalents in a conventional plant. For example, the reactor costs $45/kw, while the steam boiler usually costs less than $30/kw. The feedwater supply system is twice as expensive for a nuclear plant as it is for a steam plant, because of the very high purity required of the process water.

However, there are several things which could reduce these differences and produce a downward cost trend. Among these are:

(1) Using the maximum size of reactor can achieve unit economies and greatly reduce overhead costs.

(2) Development costs—initially high for a few units—can be materially reduced and should be distributed over a larger number of reactor projects.

(3) Higher quantity production will reduce the cost of components.

(4) Other improvements in fuel technology, waste handling, testing procedures and safeguards will also help to bring the initially higher costs within competitive range of conventional plants shortly. By 1980, the cost of a nuclear plant is expected to decrease to somewhere in the neighborhood of $145-$165/kw.

However, this cost differential in favor of existing conventional power plants is not expected to greatly hinder the beginning of our atomic power program, because of the future advantages which will accrue to people who are willing to pioneer in the field.

The outlook is bright for the increased installation of nuclear

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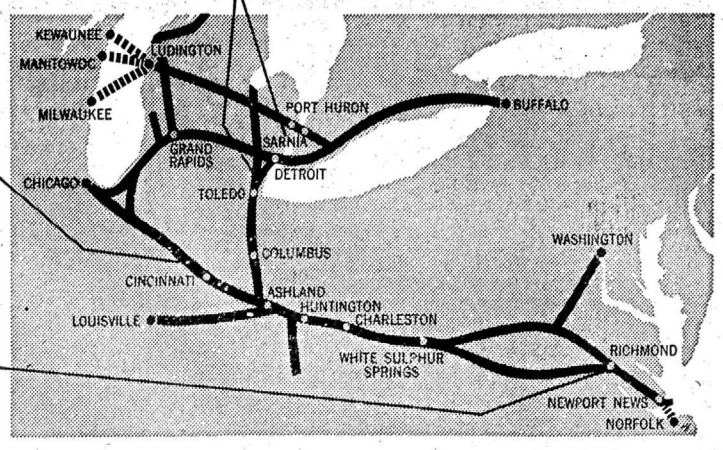

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ary repercussions. The renewed rise of international tension in critical areas abroad makes this a possibility not to be ignored.

As long as demands in the aggregate are straining against the ceiling of industrial capacity and prices are tending upward, therefore, the Federal Reserve will presumably continue to keep a tight rein on the availability of credit. However, the authorities are assuredly eager to avoid restricting credit beyond what may be required to help curb excessive borrowing and spending; they may be expected to relax their present policy as soon as economic pressures give signs of easing. The past year was one of almost continuously tightening credit, but it would be surprising if this trend should persist throughout 1956.

JOHN S. COLEMAN

President, Burroughs Corporation

On every side there are indications that 1956 will be a record year for business. Industry is planning expenditures for new plants and equipment which will appreciably exceed the 1955 expansion outlay. These are long-range plans, not so liable to curtailment in case of short-term fluctuations. Although inventories have increased moderately, sales have generally increased at an even faster pace.

John S. Coleman

The recent action of the Federal Reserve Board in raising the rediscount rate indicates no fear of a business downturn, but is rather a measure taken in prosperous times to insure stability. Even the difficulties which business faces are those of prosperity: a shortage of skilled labor, material shortages, tight money, and transportation bottlenecks.

World trade activity is also encouraging. Striking advances in production by Western Europe and Latin America, together with significant progress in Japan, India, and the whole Far East, have raised trade to higher levels. While convertibility still appears to be some distance away, European countries are showing greater willingness to spend dollars—a clear reflection of their better dollar earnings. The United States has benefited and should continue to benefit from the increased trade.

In the office equipment industry—and, indeed, in all industry—the impact of new products developed through increased research in the fields of electronics and automation should be felt strongly. Undoubtedly these products will be a continuing stimulus to business activity.

Since many industries are already producing at close to capacity, there may not be such spectacular gains as those registered in late 1954 and 1955. Nevertheless, the outlook for the coming year is bright.

SIDNEY B. CONGDON

President, The National City Bank of Cleveland, Ohio

Most business observers expect 1956 to be a record-breaking year in total economic activity. If those expectations are realized, it also will be a banner year for the banking business. Banking is the handmaiden of business and it follows that when the customers of banks prosper and progress, so too does the banking system.

Sidney B. Congdon

The past year affords an excellent illustration of this point. It was a year in which the over-all economy surged upward into new high ground with outstanding strength in the automobile and home building industries. The year-end statements of the nation's banks showed that the banking system both benefited from and contributed to these economic achievements. Banks benefited as the strong business picture produced a broad expansion in the demand for credit and also helped bring about an increase in the average level of interest rates. Banks contributed in that the loans they made provided much of the working capital, the mortgage money and the consumer credit needed to operate the economy at peak levels.

The important role of credit in the 1955 economy poses a question as to the part credit conditions may play in 1956. In fact, some discussions of the outlook for the coming year have included expressions of concern over "tight money." The reasoning has run that our economy is based on a large scale use of credit and that if credit extension is curtailed, the economy must decline.

Some reassurance on this point is afforded by considering the objective of the monetary and fiscal authorities in "tightening money." They are not trying to provoke a decline in business nor are they trying to shut off the supply of credit. Rather, they are striving to limit credit extension to a quantity which will sustain the physical volume of business activity at current levels. In an economy which is operating at virtual capacity, any excessive use of credit contributes to rising prices rather than to larger output.

It is important too to note that the volume of new loans being made is at a high level despite the widespread impression that credit is in short supply. In recent months the outstanding volume of real estate, consumer and business loans at commercial banks has continued to rise and at a rate considerably above the average of the prewar period. The amount of commercial bank credit currently in use, as measured by total loans outstanding, is at an all-time high of about $81 billion, or $11 billion more than a year ago.

Sufficient credit will be available in 1956 to permit continued good business. Loanable funds will come in large part from repayments on existing loans and a continued high level of saving. Not all requests for credit will be filled—that can never be in boom periods unless we are to court inflation. But borrowers, whether they be consumers, home buyers or businessmen, can rest assured that every effort will be made to meet credit requirements that appear essential to preserving a stable prosperity.

P. E. CONNOR

President, Western Auto Supply Company

Our immediate outlook for 1956 is relatively optimistic. With high employment, high personal income and the much publicized expansion plans for plant and equipment, we expect our volume in the first half of 1956 to show a fair increase over 1955. Disposable income is expected to increase on the basis of higher industrial production and should show still further increase if reductions are made in personal income tax rates. We are not quite as optimistic regarding the second half of 1956 but believe that the year as a whole will be as good as 1955.

P. E. Connor

There are certain aspects of the present high production levels that tend to temper the optimistic outlook for 1956. Home building is expected to be lower than it was in 1955 but Federal, State and local government expenditures should increase sufficiently to offset this decline. A part of the present record production figures has been generated by the sharply increasing personal debt and it is questionable how much longer this trend can continue. We are getting nearer to a saturation point in the sale of automobiles and other consumer goods, even to a market that becomes available through the present relaxed credit standards. Statistics indicate that the bulk of the increase in personal debt is in the field of automobile paper. Other forms of personal debt seem to have retained a fairly normal relationship to income. Any serious decline in the production of automobiles and related industries would have an adverse affect upon business conditions generally, and the size of the present personal debts would intensify its effect through decreased collections and actions taken by creditors to protect their loans.

Due to increases in wage rates and fringe benefits in 1955, which are likely to continue in 1956, we anticipate moderate price increases at the manufacturers' level. Whether or not these can be passed on fully or in part to the consumer is questionable. Present sharp competition tends to limit price increases at the retail level. However, such increases as are passed along could act as a restraint on the present free spending mood of the public.

There is no indication that farm income is likely to increase although it appears that the sharp declines of the past three years may have to level out to some extent. We expect volume in farm areas for our lines of merchandise to continue at a satisfactory level.

Competition in our lines at retail level will continue to be keen and operating costs and break-even points will probably increase slightly. However, with some increase in volume expected, the over-all earnings for 1956 should not show much change from 1955.

C. P. CONRAD

Chairman of the Board, Iowa-Illinois Gas & Electric Co.

Business in the Quad-Cities and in the general area served by Iowa-Illinois Gas and Electric Company has continued at the high level maintained throughout the year. It is expected to be between 5% and 10% better than in 1954. The gain in the farm implement industry, which is the principal business in this area, is approximately 20% over the previous year. The gain in employment has been corresponding and the labor force is now slightly greater than a year ago. It has not gone back to the peak levels of May 1, 1953.

C. P. Conrad

Little effect is felt in the farm implement business from the depreciation of farm income due to lower prices for farm products. Apparently the deficiency due to lower prices is made up through increased volume. The prices of farm land are higher than they have been at any time recently. This may be attributed to the decrease in the number of farms. Undoubtedly this area enjoys the highest prosperity of any farming area in the United States as it has suffered neither from the drought nor the depression that have afflicted other areas. General business, including the construction of homes, is at the highest level experienced and gives promise of continuing at that level throughout 1956.

HON. HAROLD D. COOLEY

U. S. Congressman from North Carolina

The outlook for Agriculture in 1956 is bleak indeed.

All the forecasters are saying this will be another boom year for industry, business and labor—that new records are likely to be set.

Agriculture continues to sink into a major recession.

Harold D. Cooley

The average of farm prices is down 29% since February 1951, and net farm income in 1955 was 38% below 1947. A further substantial decline in 1956 is predicted by Department of Agriculture economists. Farm debt is increasing, and farmers' purchasing power, in terms of 1935-39 dollars, is the lowest since the great depression.

In contrast, the hourly earnings of industrial production workers increased by 52% between 1947 and 1955, and net corporation dividend payments are up by 53% for this period.

While farm income has deteriorated the cost of moving and handling the food and fiber between the farmer and the consumer has skyrocketed. These marketing costs have increased by 83% since 1945.

These facts and figures come from Department of Agriculture records.

Whether we can prevent a catastrophe in Agriculture, and bring to farmers a fair share in a prosperous economy, is a question that will be answered largely by people in the cities, for their representatives in the Congress have the votes to sway all legislation relating to Agriculture.

I think it is to the self-interest of all of us, city people as well as farmers, to support a program that will prevent a catastrophe in Agriculture.

It is a matter of record that a collapse of the agricultural economy preceded the great depression of the 1930's, and we know that breadlines in the cities have been longest when food was the cheapest.

Some economists are telling us now that farmers no longer are important to any large degree in the prosperity of the general economy, because they are so few. But, I doubt if many Americans want to risk a general depression to test the point. Moreover, I am convinced that city people have a sense of justice that demands that our farmers enjoy incomes that afford them a decent standard of living, on a parity with all other Americans.

Many non-farm people ask why agriculture should have any special treatment—a farm program. I think it is important right now that all of us understand why.

One answer, of course, is that this treatment is not special but is similar in principle to the minimum wage and collective bargaining laws that protect labor's income, the tariffs for industry, the Government rate making that assures profits for utilities, various fair trade laws for business, and many other National, State and local laws intended to modify or soften the hazards of working and doing business.

More explicity, there are these hard facts proving why there must be a farm program.

(1) Agriculture alone among the major elements of our total economy has no device, outside of the aid of Government, to pattern its production to market needs. A factory can be shut down in the middle of production, to adjust to a changing market, but farming cannot be stopped in the midst of a crop. Farmers have no way of measuring what should be their individual contributions to a balanced national supply of food and fiber, without government help. And even with the help of a well-planned program their production is uncertain, being subject to the seasons—rain, hail, wind, pests, and sunshine.

(2) Agriculture—in the absence of a program—is the only industry that does not set its prices but goes into the market places and asks: "What will you give me?" It might be well to ask how long the free enterprise system would survive if in industry, as in agriculture, the factories produced for a full year and in one brief period, as in agriculture's harvest season, put all their accumulated goods and wares at auction, not at prices fixed by management but at prices the customers would bid.

(3) The needs of consumers and the safety of the country require huge agricultural supplies on hand beyond the food and fiber currently being consumed. But this very abundance—this safety margin against crop failures or other national or international emergencies—is known as "surplus" in the market places and will perpetually depress the farmers' prices, without a farm program to manage these supplies.

These are some of the reasons why the government must provide the machinery for a farmer-controlled agriculture, in which our farmers, in their free elections, can set their production to fit their markets and in which farmers, as other businessmen, will have some voice in determining the prices of things they produce and sell.

I repeat: It is now important that you people who read the *Commercial & Financial Chronicle*, and all the others like you, know these things, for it will be only by such understanding that the Congress will be able to write legislation to prevent a catastrophe in Agriculture that,

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Business Opportunities Inherent in Nuclear Energy: O. B. Falls

power plants over the next twenty years. If this seems like a long period of time, remember that we are dealing with large, long-range solutions to sweeping, long-range problems. And the full benefits to be derived from the utilization of this new source of energy will be tremendous enough to affect many facets of our lives.

While direct power application appears to be the most immediate and potentially the biggest use to which the atom will be put, there are many other areas where atomic energy is and will be playing important roles. One of the most interesting will be in the field of marine propulsion. You gentlemen here today should have considerable interest in this aspect of the atom's uses.

Marine Propulsion

I mentioned earlier our work with a reactor for a submarine. If you stop and think for a moment, it is the most natural thing in the world that the first marine application of atomic energy should be found on a naval vessel. For it is here that the advantages outweigh initial costs by so much that consideration of economics is not a significant factor.

For example, who can say how much it is worth in terms of dollars to be able to put a ship to sea which can travel around the world without refueling? Just think what a fleet of such ships would mean to the naval tactician —what effect it would have on the problems of logistics. Atomic-powered submarines are first-class weapons because nuclear energy makes possible hitherto undreamed-of capabilities of underwater craft.

From a strictly technical point, it is known that a nuclear-powered merchant ship could be built at this time. On the other hand, all of the peculiar advantages which make nuclear power so desirable for naval vessels are not pertinent to merchant ships. Indeed, the success of any merchant vessel intended for peacetime commercial use must ultimately be measured strictly in terms of economic factors which are necessarily of small concern in the operation of naval vessels in time of war.

Because of the importance of these economic factors, the philosophy relating to the design and use of merchant vessels must be searched to determine those areas where nuclear power offers potentially unique advantages to this particular field. When this is done, attention can then be focused on the specific technical problems that will in due course make such an application economically feasible.

I'd like to mention at this point that many commercial shipping lines are giving serious thought to this question. In the Nov. 19 issue of "Business Week," I noted with interest the item about United States Lines thinking of replacing its ship "America." BW reported that recurrent industry rumors have it that U. S. Lines is mulling over nuclear power for propelling the transatlantic passenger liner.

Certainly it appears that powerful long-range merchant ships should receive priority over the smaller or shorter-range ships. In this case, there would seem to be genuine advantages in releasing for cargo use the large amount of space now required for fuel oil on long voyages. The elimination of air supply and exhaust ducts would, of course, make possible additional cargo space. Furthermore, it seems plausible that a nuclear power plant with sufficient uranium fuel for several long voyages might weigh less than a conventional power plant with fuel oil for a single voyage. It is also conceivable that longer and faster voyages could be made possible because of the great concentration of energy in uranium fuel and the consequent freedom from normal refueling requirements.

There is no question but that we shall see surface ships—both naval and merchant — powered by atomic energy. To be sure, the problems that must be met are big problems. But there is every reason to believe that they shall be overcome in due time.

Other Nuclear Uses

In the fields of medicine, chemistry and food preservation, there is fascinating work going on right now with atomic energy.

In chemistry, for example, it has been found that certain plastic materials, when exposed to gamma radiation, can be subjected to considerable heat without melting or losing their shapes. This is good news to pharmaceutical houses, among others, because it means that specific drugs can be packaged and sterilized right in their plastic containers.

In medicine, much work is being done with the use of radioactive tracers. These tracers, introduced into a patient's system, can be tracked with scintillation counters as they are absorbed or passed off by the system. Another highly important application of atomic energy in medicine is in the fight against cancer. Here, one of man's weapons is a therapy unit which bombards cancerous tissue with gamma rays from a radioactive cobalt source.

Within the past year, it has been found that when meats and fruits are irradiated properly with gamma rays, it is possible to store them for months, at room temperature, without spoilage.

There is one more area of this growing industry which is often overlooked, but which you, as businessmen, will be interested in. It is the huge market for components which will open up when atomic installations are built. In a survey, the Atomic Industrial Forum has estimated that, by 1963, the annual volume of components for large stationary nuclear plants will add to the American economy many billions worth of business. These components will consist of reactor units, heat exchangers, pumps, valves and fittings, piping, welding, tanks and auxiliaries, coolants, instruments, fuel-handling equipment and auxiliary systems.

Industry—medicine—agriculture . . . the atom is at work now in all these fields. And as time goes on, this new source of energy will be put to wider use. Those associated directly with the industry can feel the growing interest in it on the part of all businessmen.

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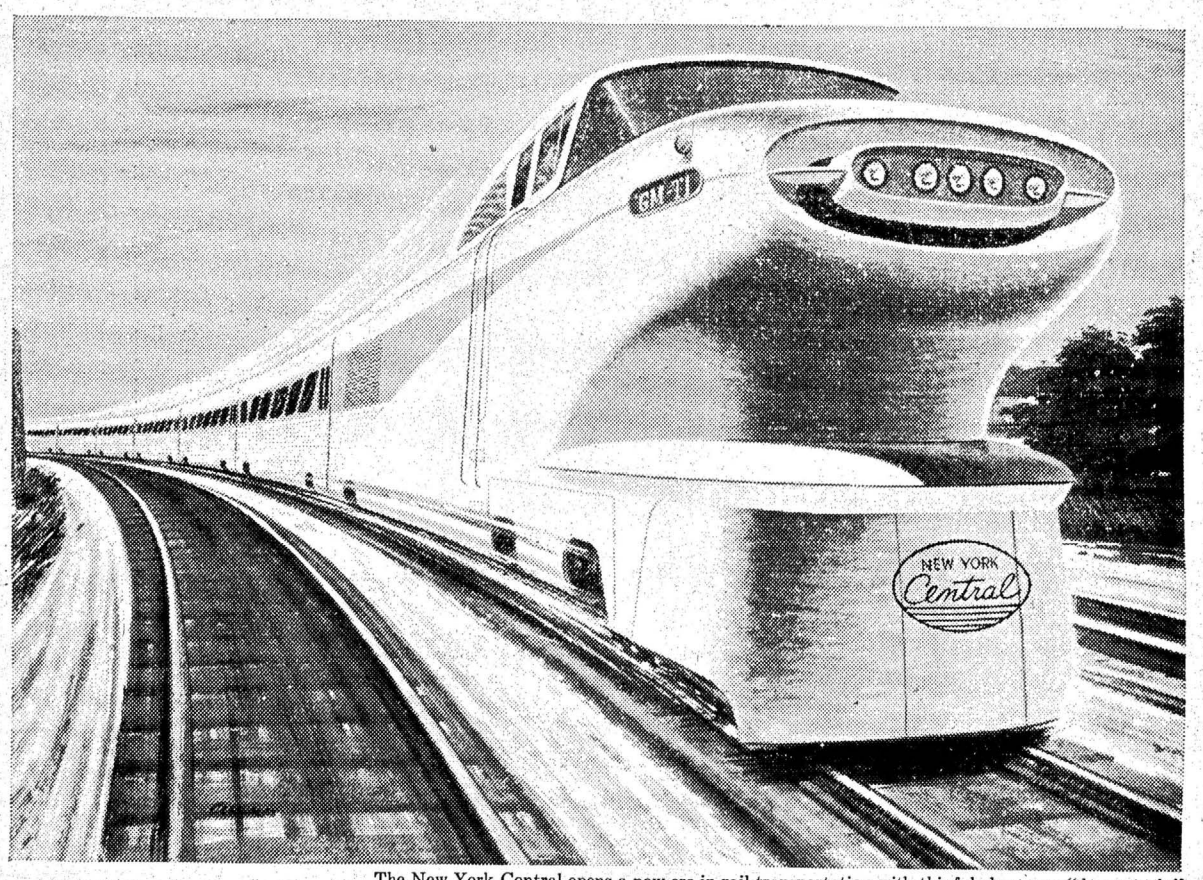


The New York Central opens a new era in rail transportation with this fabulous new "dream train"

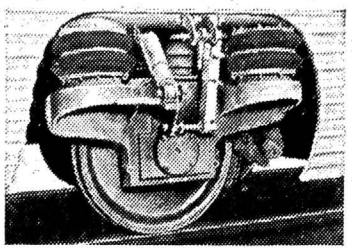
THIS TRAIN WILL SAVE AN INDUSTRY

The New York Central brings you a fast, lightweight new train that can revolutionize rail travel, increase employment, and strengthen our national defense.

This new "dream train" is like nothing you've ever seen before—and it will soon be rolling on the New York Central.

Designed and built by General Motors, it makes a clean break with the past. Like today's Chevrolet compared with the old high wheelers, it is lighter, lower, faster and much quieter and more comfortable —all at much lower cost.

But the most important thing about this train is that it can actually save America's railroad passenger business.



Cars are literally suspended on air—Air under pressure fills the doughnut like rubber bellows at each end of the wheel truck. Vibration and noise are absorbed passing through the air . . . giving the smoothest, most comfortable ride you've ever felt.

Few of those who sometimes justifiably criticize railroad passenger service realize that the cost of building and operating present high wheel equipment has become so prohibitive that the railroads lost almost 700 *million* dollars on this service during the last year.

The railroads are up against subsidized competition from airlines, busses, and private automobiles—to say nothing of restrictions imposed by regulatory bodies, so often politically motivated.

These factors combine to make it impossible for us to set fares which can even come close to making up our loss. Last year this passenger loss nearly equalled the total net income that America's railroads earned from *all* sources.

We know of no other industry required to render service at a loss. Not even the strongest one can do so long, even if public opinion or our Constitution would permit it.

Needless to say, this is a very serious situation—from the railroads' standpoint and from the public's. And it's even more serious from the standpoint of national defense. To keep our country strong, we need strong, vigorous, up-to-date railroads.

Trains like the one you see above can convert the present shrinking railroad passenger industry into a dynamic, growing one. With a steel underframe and aluminum body, it is 50% lighter than standard trains. *It is 60% less expensive to build and 60% less expensive to operate.*

It will enable us to offer faster, smoother service—and to keep passenger fares at a lower level than they otherwise must be. And by revitalizing the railroad business, it can lead to more employment.

The train pictured here is the first of *two* "dream trains" soon to be running on the Central. The second, called "Train X," is now being built by Pullman-Standard. The Central is doing all it can to encourage these two manufacturers to quickly go into volume production of these new trains.

We salute General Motors for building our first new train. Next Spring it will go into service between Chicago and Detroit in a speedy daylight run. When you look it over, see if you don't agree that a new era in railroading has begun.

New York Central Railroad

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in my judgment, inevitably would injure our country and hurt many millions of our people.

More than that: With understanding we can bring to our farm families a fair share in the total prosperity of America.

JAMES D. COONEY

President, Wilson & Co., Inc.

Expanding employment and record consumer incomes during the past year provided a favorable climate for both the meat industry and the sporting goods business. Last year's high level of incomes—combined with a growing appreciation for the value of meat as a protective food—provided vital support to the livestock and meat market while a record supply of meat was moved into consumption. Likewise, added purchasing power, in the hands of an increasingly health-conscious and recreation-minded population, meant continued growth in the market for athletic equipment.

James D. Cooney

Meat production in the U. S. has increased steadily during the past four years, with last year's record output almost 25% larger than in 1951. Currently, productive capacity of the nation's livestock population continues large, virtually assuring the maintenance of a high volume of meat production in the year immediately ahead.

Highly significant to the meat industry is the fact that the nation's inventory of feed grains—already at record levels this past year—continues to mount, notwithstanding the heavy requirements of a large livestock population. This development is primarily a result of government acreage restrictions on cotton and wheat, which led to a shift of about 15 million acres from these crops into feed grains during the past three years. With normal growing seasons, supplies of feed in prospect would appear to assure a high volume of livestock production for at least the next few years.

The meat processing industry, while benefiting from the effects of large volume on low unit costs, continues to be characterized by aggressive competition. Competitive influences are likely to necessitate continued emphasis on all forms of plant and equipment modernization that incorporates every feasible cost-cutting technique, complemented with adequate systems of cost control.

Notwithstanding past cost reduction programs, industry meat marketing costs have increased in recent years due essentially to two factors: First, wage rate increases have tended to outrun gains realized in labor productivity; second, there has been a sustained and growing consumer demand for products in more convenient form which, to a considerable degree, transposes home labor to the processing plant. An expanding proportion of the total meat supply is being marketed in table-ready form. Sausage production, for instance, is 25% larger than in 1950. Another illustration of this trend is canned ham output, which has doubled since 1948. More attractive and functional consumer packages has added significantly to marketing costs, but has been an indispensable element in keeping abreast of trends in retail meat merchandising and consumer preferences.

Rising levels of consumer purchasing power have in past years been accompanied by an increase in the demand for meat. In sharp contrast, some of our other basic foods have undergone a decline in demand as incomes have expanded. Basically, therefore, the position of meat and meat products in the nation's food economy is an enviable one. Shifts in consumer preferences doubtless will continue to occur, but the meat processing industry, through its programs of research and development, may be expected to adapt its products quickly to these changes in order to protect and augment the healthy demand that now eixsts.

RALPH J. CORDINER

President, General Electric Company

As indicated by published nine months' figures, 1955 will be one of our most successful years. Sales for the first nine months were 4% above the same period in 1954. To equal the record volume of 1953, an increase over 1954 of 5 to 6% would be required. Present indications are that 1955 sales volume will approach that level.

Ralph J. Cordiner

Nine months' earnings set a new record, 4% higher than the same period in 1954. Indications are that this record level will be maintained for the year as a whole.

Dividend payable Jan. 25 was increased to 50 cents by the Board of Directors.

1955 Highlights

The most significant accomplishment of 1955 is that we now have in place the facilities and organization for the upsurge in business which we confidently expect in the period ahead.

As you know, since World War II we have been engaged in an extensive program of modernization and expansion of facilities. In the last ten years the company has been basically rebuilt. Emphasis has been on research and development laboratories, modernization and relocation of facilities to serve their markets better.

To accomplish this, recent years' profits have been affected by high starting costs. We are now fully in a position to move ahead. This does not mean that our investment in modernized plants and expansion will fall off. On the contrary, it will be a new record high of $175,000,000 in 1956 and the total expenditures for the next three years will be approximately half a billion dollars. This compares with about $465,000,000 in the past three years (1953 through 1955).

From the organization standpoint, and from the standpoint of individual employees, a significant milestone in 1955 was the development of an expanded employee benefits program which provided the basis for a five-year union contract. Among the many wage and other employee benefits, this contract includes a pioneering insurance program unique in its coverage of extended medical and hospitalization costs.

The Company's decentralization of product responsibility and authority, now in its fifth year, has greatly strengthened the organization and opened up opportunities for individual advancement and development. Education and training facilities available to all employees have been improved. In 1955 the Company spent from $35,000,000 to $40,000,000 to train and retrain employees. More than 25,000 of our employees are continually taking training courses at Company expense. The new Management Development Center at Crotonville is now being completed and will be operated on an experimental basis in 1956.

Future Outlook

Our sales forecasts indicate an increased volume of shipments in 1956 of from 10 to 15%. We see nothing on the political or economic horizon (barring a major war) to alter our previous forecasts of continuing growth for the economy as a whole and a need for the electrical industry to continue its rate of doubling every 10 years. The strength of our apparatus lines of business in 1955 indicate that the electric utilities and our industrial customers share this confidence in the future.

The More Power to America program, which the Company instituted in cooperation with utilities and other interested industries, has just completed 10 years. In 1945 an ambitious goal was established of increasing the kilowatt-hours per man hour used in American industry from an average of 4.7 kilowatt-hours to 10 by 1955. This goal, more than doubling kilowatt-hour use per man hour, has been substantially achieved with a record of 9.7 kilowatt-hours per man hour in 1955. A new goal of attaining 20 kilowatt-hours per man hour in the next 10 years has now been established. It is noteworthy that industrial employees on the average used 17,800 kilowatt-hours last year, as compared to 8,600 kilowatt-hours, in 1939. It is also interesting that the investment per worker in industry in 1955 amounted to $11,400 (according to the Machinery and Allied Products Institute). (Reliable figures are not available on horsepower per worker, but it is estimated to have increased from 6 horsepower in 1939 to 11 in 1955.)

In cooperation with local electric utilities and other segments of the electrical industry, a similar program for home use of electricity will get under way in 1956. Consumer enthusiasm in 1955 for all lines of appliances, better lighting and adequate wiring, proved that the time is ripe for such a program, and it has been enthusiastically endorsed by electric utilities throughout the country.

1955 Examples of New Product Development

One of the pillars of our confidence in the future growth of the economy is the discovery and development of new products and services. These come from our emphasis on fundamental research and the advanced development work of all of our operating departments. You have reported some of the outstanding examples from our laboratories in 1955. I should like to review a few of them to illustrate the broad and diverse front on which this potent process of innovation is at work—constantly opening up new horizons, new areas of growth, more and better employment opportunities, and a better way of life for all of us. Such developments in 1955 included:

The first practical demonstration of a method for producing man-made diamonds by the General Electric Research Laboratory;

Signing of a contract with the Commonwealth Edison Company and the Nuclear Power group to build the largest atomic-fueled electric power generator, a 180,000-kilowatt plant in Chicago. (The Penn. Power and Light project at Allentown calls for 150,000 kilowatts minimum, which might extend to 200,000, if the design works that way. Plans call for completion in 1962. Therefore, ours will be the largest installed at the time.)

The development of an atomic reactor for the submarine, the U.S.S. Seawolf, which was launched July 21.

The first use by commercial power lines of electricity generated from an atomic reactor at West Milton, N. Y. on July 18, 1955;

The manufacture for the Cleveland Electric Illuminating Company of a 260,000 KVA turbine-driven generator of a conductor cooled type which employs for the first time a liquid coolant in direct contact with the copper conductors of the armature windings—the most effective cooling system yet designed for large turbine generators;

Introduction of a portable television receiver which has sold approximately 200,000 units, or more sets than many companies sell of all types. This set, which was introduced on May 20, 1955, has a 14-inch screen, weighs 32 pounds and sells for less than $100.00 as compared to a 12-inch screen which sold for $231.00 in 1950;

Announcement of such startlingly new appliances as and electronic oven and a cordless electric clock;

Announcement that General Electric will build the first-stage rocket propulsion system for the satellite to be launched between July, 1957 and December, 1958;

An order to build fifteen 8,500 horsepower gas turbine electric locomotives with an intent to build a total of 45 to be added to the present fleet of 25 gas turbine electric locomotives of 2,500 horsepower;

These are some of the more spectacular achievements which rightfully made news in 1955. But there were many others which, if less dramatic from a news standpoint, made equally spectacular contributions to progress. The emphasis on such new things as atomic power should not obscure the fact that for many years to come greater efficiencies in our use of the conventional fuels will be the principal contributions to our progress.

CLEO F. CRAIG

President, American Telephone & Telegraph Company

Nineteen fifty-five was a year of progress for the Bell System, with big gains in service to the public and a very desirable strengthening of our shareowners' position. The System added about 2,850,000 telephones in 1955. This year we expect to do as well or somewhat better. Long distance conversations increased about 12% last year and we look forward to continued improvement during 1956.

Cleo F. Craig

Progress was made in improving communications across oceans as well as within the country. The task of bridging oceans with telephone cables is one of the most dramatic in telephone history. By next December, the transatlantic cable system is expected to be furnishing 36 telephone channels to supplement radiotelephone facilities between North America and England.

Work proceeded on two other transoceanic cable systems in 1955. One, to Alaska, is scheduled to be completed late this year. The other, to Hawaii, is in the planning stage.

To enlarge and improve service the System spent more than $1,600,000,000 for new construction, or about $800,000 every working hour in 1955. This was the largest construction program we have ever had.

But we expect to do even more in 1956. The country keeps right on growing. Americans need and want more communication service of top quality. We are going full speed ahead to provide it.

CHARLES P. CRANE

Chairman of the Board and President, Baltimore Gas and Electric Company

Business activity throughout the area in which our company operates has increased at an unprecedented rate during the past five years, and there is every indication of maintaining, in 1956, approximately the same record-breaking level that was attained during the past year. Company expenditures in 1955 to provide additional facilities to meet the expanding requirements for electricity and gas amount to more than $40,000,000 not including about $5,000,000 for the purchase of certain transmission lines and facilities owned by the former Susquehanna Transmission Company of Maryland. Construction expenditures in 1956 will continue at the high level of approximately $40,000,000.

Charles P. Crane

Work under way includes the construction of a new electric generating station, with an initial capacity of 125,000 kilowatts, which will be ready for service early in 1956. Anticipating future expected demands, an order was placed several months ago for a second generating unit of the same size to be installed at this new station not later than the first quarter of 1959. Our electric construction program for the coming year also provides for additional new substations, increases in the capacity of existing substations, additional transmission and distribution lines, and other facilities. Our gas construction program provides chiefly for extensions to the distribution system to provide for rapid load growth. Other projects of considerable size include the construction of a new 5-story building to house departments of the gas operating division; additional offices, shop, and storeroom facilities; and transportation equipment.

Contracts obtained during 1955 to supply new industrial and commercial installations were substantially greater than for the preceding high-record year; electric contracts showing an increase of 7.7% and gas contracts an increase of 24%. A considerable proportion of these new installations will not be in operation and reflected in power and fuel sales until 1956.

Final figures for December sales are not available at the time this is written, but we estimate that electric kilowatt hour sales in 1955 will show increases, as compared with 1954, of 9.9% to residential customers, 7.1% to commercial, and 15.0% to industrial users. Sales of gas are expected to show increases approximately as follows: residential 12.8%, commercial 4.5%, and industrial 28.1%.

Residential construction in the Baltimore area reached an all-time high in 1955 with over 17,200 dwelling units completed, as compared to 14,986 in 1954. Residential construction is expected to continue at close to the 1955 level during the coming 12 months. During the year,

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Business Opportunities Inherent in Nuclear Energy: O. B. Falls

And this interest certainly is world-wide.

Last August, at the Geneva Conference on Atomic Energy, for example, I was frankly amazed at the number of potential customers I met. My company carried on conversations with persons from over half the countries represented on the official list. In the short period of two weeks, it was possible to get a remarkably good picture of the entire available foreign market for atomic energy products. And, let me assure you that this is a sizable and attractive market.

There are many problems peculiar to this market which must be solved before American industry will be able to serve it. But once they have been dealt with and disposed of, we shall see in this country tremendous demands from abroad for products of our new industry.

I don't mean to suggest that these problems are light or have simple solutions. On the contrary, they are difficult questions and are receiving the best thinking of people both in industry and in our government. These are questions of security, financing, insurance and the like, which are difficult enough when related to domestic business—but when considered in terms of the foreign market, seem almost to defy solution.

Our lawmakers — the Joint Congressional Committee on Atomic Energy and the A.E.C.— are sincerely desirous of solving these problems and helping U. S. industry take over the atomic energy business in foreign fields. And I believe that in due time the answers will be found.

I mention at the outset that the atom is a many-sided thing, and for the past several minutes we have covered a few of the highlights of the new industry. I hope from what I've said, you can see that atomic energy as a business is already out of the infancy stage. At this very moment, in hundreds of different companies throughout the country, men are at work solving problems, conducting research, planning markets, developing products—all for this new industry.

Seventy-five years ago, pioneers of the electrical age were passing through the same stage that our atomic industry is now in. And the bold, imaginative plans they made at that time changed the course of history and affected the lives of everyone. History has repeatedly taught us in the electrical industry to reach boldly for seemingly impossible goals . . . to dream big, if you will.

I feel confident that, in not too many years, we shall look back upon these early days of the atomic energy business and see that the dreams we dreamed about putting the atom to work for man weren't really dreams—but accurate predictions.

New S. F. Exch. Member

SAN FRANCISCO, Calif.—Ronald E. Kaehler, President of the San Francisco Stock Exchange, has announced the election of N. Connor Templeton to membership in the San Francisco Stock Exchange.

Mr. Templeton is a general partner in the member firm of Mitchum, Jones & Templeton. Mr. Templeton acquired the membership by transfer from Colis Mitchum, who is becoming a limited partner of the firm.

L. A. Exchange Member

LOS ANGELES, Calif.—Sam J. Smith, representing the firm of Bache & Co., has been admitted to membership in the Los Angeles Stock Exchange, it was announced by Exchange Executive Vice-President Thomas P. Phelan.

Smith, who has been associated with the firm for 33 years, is a resident partner in charge of the newly opened Bache & Co. office at 445 North Roxbury Drive, Beverly Hills.

For over 25 years he edited the company's securities recommendations and daily market comments in New York.

With Amott, Baker

Amott, Baker & Co., Incorporated, announces that Henry C. Petteys, formerly with Investors Services, Inc., has joined their organization as a registered representative. Mr. Petteys will represent the firm in Upper New York State.

Joins Mitchell Hutchins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Andrew S. Messick Jr. is now with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Messick was formerly with Andrew S. Messick & Co.

McDaniel Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — H. G. Winslow has been added to the staff of McDaniel Lewis & Co., Jefferson Building.

With Harriman Ripley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Maurice J. Griffin is with Harriman Ripley & Co., Incorporated, 30 Federal Street.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard A. Jenkins is now with Hemphill, Noyes & Co., 10 Post Office Square.

With Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard C. Johnson has become connected with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

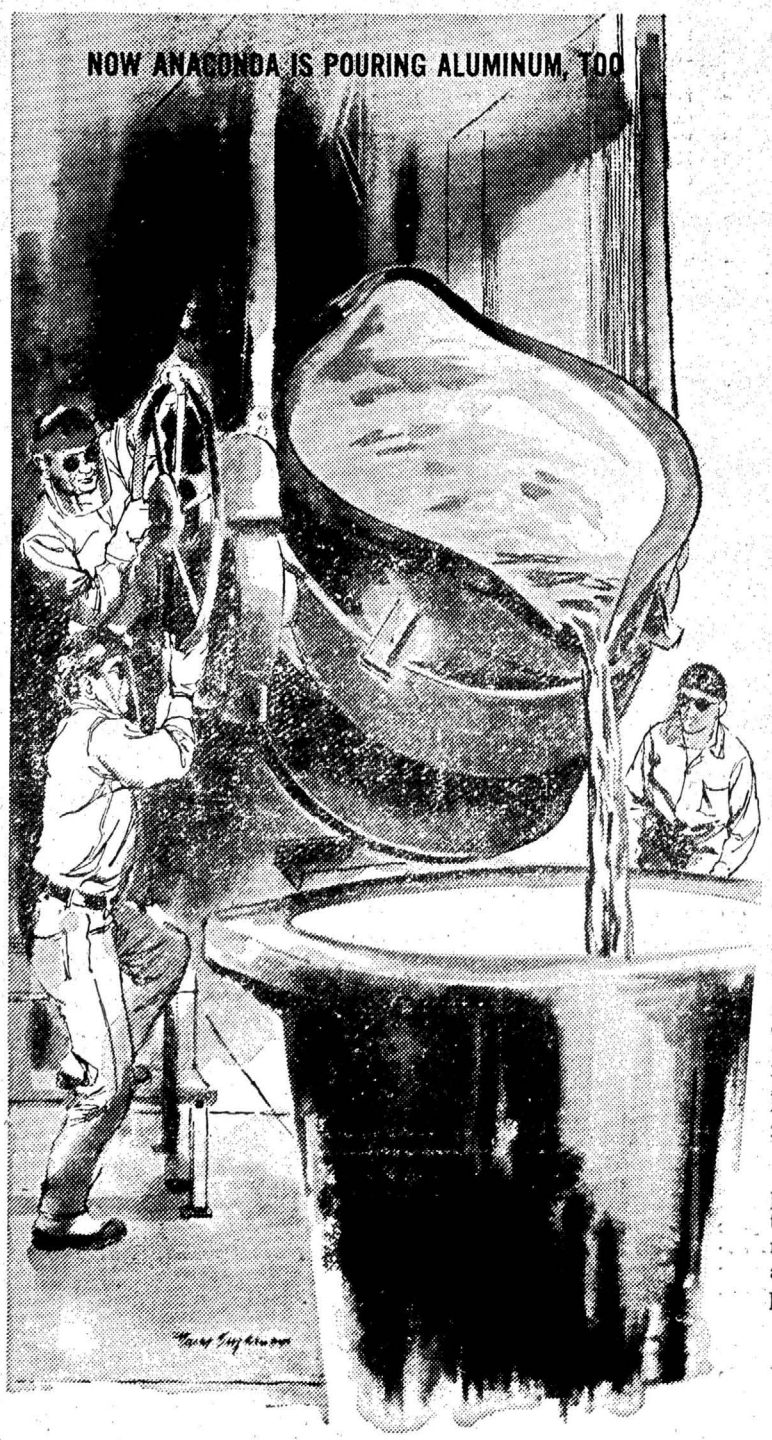
With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Cecil J. Downs has rejoined the staff of Reynolds & Co., 39 South La Salle Street. Mr. Downs has recently been with Apgar, Daniels & Co. In the past he was in the investment business in Los Angeles.

Dynamic metals for a dynamic new world

At 60, Anaconda moves ahead with its first primary aluminum — with expanding copper operations in Montana and Chile — growing uranium oxide production — new fabricating plants



120,000,000 pounds of aluminum a year: On August 15, Anaconda Aluminum Company began to pour primary aluminum. Its modern new plant is now in full production — an important new source of the vital "white metal" to help meet growing needs.

More copper: Anaconda has greater copper ore reserves than at any time in its history. Intensive exploration and development have revealed large new deposits in Montana and in Chile.

Every bit as important are technological advancements in mining and metallurgy. Continuing experiences with methods of massive block-caving, open-pit mining, and ore beneficiation make possible economical production from low-grade ores. Expanding operations and new ore processing plants in both Montana and Chile are helping bring the supply of refined copper into balance with world requirements.

More nonferrous metal products: Anaconda Wire and Cable Company has seven mills manufacturing electrical wires and cables with copper and aluminum conductors. The American Brass Company has expanded to meet the growing new uses for copper and copper alloys, is building a new brass mill in Los Angeles and a new aluminum fabricating plant in Terre Haute, Ind.

More fuel for peaceful atom power: During 1955, additional facilities at Anaconda's uranium processing plant near Grants, N. M., went into action — making Anaconda probably the largest single producer of uranium concentrates in America. With large-scale production from its own uranium ore deposits, Anaconda is making every effort to help provide the raw material for tomorrow's manifold peacetime atomic progress.

Anaconda and its manufacturing companies are constantly seeking new and better ways of doing things with the world's most extensive line of nonferrous metals and mill products. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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Continued from page 60

some 17,200 electric and over 13,300 gas domestic customers were added to our lines. As a result of the expanding use of electric convenience and labor-saving appliances, gas heating installations, and other modern household facilities, the average electric consumption per residential customer in 1955 was over 5% greater, and the average gas consumption was 9% greater than for the preceding year.

Residential growth and new home construction is being attended by a heavy increase in commercial construction, including a number of large shopping centers and complete department store branches in heavily populated suburban sections. A new 20-story office building now rising in the center of the city is scheduled for completion before the end of the year.

The investment here in new industrial plants and expansions, announced during 1955, totaled $263,000,000; over two-thirds greater than the highest previous year in Baltimore's history. The additional labor requirement as a result of this industrial growth is estimated at close to 11,900 employees. The economic effects of a substantial part of this growth will not be felt until 1956 and thereafter.

New manufacturing concerns, now locating and negotiating for locations, will add to both the size and diversification of our local industrial structure. These acquisitions, together with large-scale expansion projects now under way by existing industries, including national manufacturers of communication equipment, transportation equipment, electronics, chemicals, containers, closures, electric tools, plumbing fixtures, will have a significant effect on business conditions in the Baltimore area in 1956.

Steel production here in 1955 was higher than in 1954 and large-scale expansions, during the past 12 months and still under way, should result in substantially greater output in the year ahead. Stainless steel output was almost 50% above the previous year's total and these mills are adding new facilities to effect major increases beginning in 1956. The production of aluminum extrusions is being greatly increased by a large plant which began operating late in the year, and further expansion in this field is scheduled for 1956.

A huge program of public works is under way here and it includes, in addition to major highway and toll road construction, the new $140,000,000 Baltimore Harbor Tunnel on which work was started early in 1955 and is scheduled for completion at the end of 1957. State projects, for which more than $22,500,000 has been appropriated, to be placed under contract during the coming year include an $8,000,000 State Office Building in Baltimore, a $3,000,000 State Office Building in Annapolis, and important additions at State hospitals, colleges and other institutions. Additions to Federal Government facilities, scheduled for 1956, include large scale housing, shop and other installations at a number of military posts in the territory served by our company.

Based on the sound structure of the past, the healthy and vigorous advancement recorded during 1955, and the aggressive well-considered plans projected for 1956, we view the coming year in this area as one of uninterrupted progress to higher levels of business achievement and higher standards of human welfare.

N. R. CRUMP

President, Canadian Pacific Railway Company

Canada continues to move forward with increasing assurance to her place among the nations of the world and with growing confidence in her economic destiny. Advancement in transportation is an essential part of the nation's expansion in production and trade, and in the past year, which marked its 74th Anniversary, Canadian Pacific is proud to record its contributions to the advancement of transportation—by land, sea and air.

N. R. Crump

These contributions were highlighted by inauguration of the longest scenic dome-car passenger train run in the world, offering literally a new look at the Canadian scene; by operation of an increased number of speedy, self-propelled rail diesel cars in Dayliner service; by improvements in rail service resulting from the purchase of nearly 100 new diesel locomotive units; by the completion of two new branch lines to serve the country's growing mining industry; by the launching of the new 26,000-ton "Empress of Britain" to join the North Atlantic service next spring; by addition of the all-purpose train-ferry "Princess of Vancouver" to the service between Vancouver and Nanaimo, B. C.; and by the inauguration of an air route over the top of the world between Vancouver and Amsterdam.

The Canadian Pacific is backing its faith in Canada with money and action.

Competition is playing an ever more dominant role in transportation and a variety of choices is open to the shippers of today. The Canadian Pacific is prepared to meet this challenge and asks only that all competitors be subject to similar obligations and conditions.

The new streamlined, stainless steel, scenic-dome transcontinental passenger train, "The Canadian," has been given an enthusiastic welcome by a large and growing number of patrons. This fine new train, which made transportation history, makes it possible to travel between Montreal or Toronto and Vancouver in luxury and comfort in less than three days—just half the time required by the company's first transcontinental train in 1886.

In order to equip the transcontinental trains, "The Canadian" and "The Dominion," 173 stainless steel streamlined cars, including 38 scenic-dome units were purchased from the Budd Company at Philadelphia, the largest single order ever received by that company.

The year just ended also brought additional utilization of Dayliners, the speedy stainless steel, self-propelled rail diesel cars, also constructed by the Budd Company. Replacing conventional trains and enabling a speedier and more economical service to be provided, Dayliners were put into passenger train service in the past year between Calgary-Lethbridge; Lethbridge-Medicine Hat; Winnipeg - Riverton - Great Falls, Saint John, N. B.; Edmundston, Montreal-Quebec; and Victoria-Courtenay on Vancouver Island. Dayliners are also in use in passenger train service between Montreal-Mont Laurier; North Bay-Angliers; Toronto-Detroit; and Toronto-Peterborough in Eastern Canada; and between Calgary and Edmonton in the West.

Dieselization of the railway continued during the year, with the purchase of 97 locomotive units, bringing to 556 the number of diesels now in service on all lines.

To provide for maintenance and overhaul of its growing fleet of diesel locomotives the company completed a new and modern service shop at St. Luc Yard in Montreal.

An expansion of the already large St. Luc Yards, which is made up of 94.7 miles of track and includes every type of facility for the handling of motive power and freight train equipment, this new shop features a wheel-truing machine which restores the contours of worn locomotive wheels without their removal from the diesel unit. It is the third such modern shop on the system for the specialized maintenance of diesel locomotives, the others being located at Calgary, Alta., and Nelson, B. C.

At the same time, the Canadian Pacific made important additions to its freight car inventory to meet the demands of the fast-developing national economy. New units of freight and work equipment ordered during 1955 totaled 1,643, bringing the total number of such cars added since 1945 to 31,931.

As part of the Canadian Pacific's role to provide transportation services in keeping with the country's economic growth a 16-mile railway line connecting the mining community of Nephton, Ont., with the company's line at Havelock, was opened last January. This line provides easy access to an area producing non-metallic rock used in ceramics, glass, paint and other products.

In October a 40-mile branch line from Struthers, on the main line 33 miles west of White River, to Geco, a point north of Manitouwadge Lake, was officially opened. This line taps an important new mineral development, providing ready access to the Great Lakes and to the entire railway system of Canada and the United States for the base metals to be mined in this area.

On the sea, the company's new 26,000-ton, "Empress of Britain," was launched at Glasgow in June by Her Majesty, The Queen. As the first new Canadian Pacific passenger ship to take to the ocean since 1930, this streamlined, specially-designed liner will add a uniquely modern touch to shipping in the St. Lawrence route when she makes her maiden voyage this spring. A sister ship, the "Empress of England," now under construction, will join the fleet in 1957.

The 7,000-ton train-ferry, the "Princess of Vancouver," the largest vessel of its type ever constructed, entered service during 1955 to operate between Vancouver and Nanaimo, B. C. This all-purpose water carrier is licensed to carry 800 passengers and can handle 28 railway boxcars, or approximately 115 automobiles, or a combination of both. The vessel is equipped for stern-loading and is berthed at new specially-designed piers at Vancouver and at Nanaimo.

Canadian Pacific Air Lines, now having the seventh largest route pattern in the world, made two further notable advancements during the year. A new trans-polar route was inaugurated between Amsterdam and Vancouver, at which point connection is made with its existing routes serving Australia, New Zealand, the Fiji Islands, Hawaii, Japan and China, in effect bringing these countries 1,000 miles closer to Europe and the United Kingdom.

In early November, Canadian Pacific Air Lines introduced the first high-speed, non-stop service between Eastern Canada and Mexico, when it inaugurated weekly flights linking Toronto and Mexico City. Tourist fares for those seeking Mexico's sunshine and historic charm are available on this service which provides a shorter link between Eastern Canadian centers and South American points served by way of Mexico City by Canadian Pacific Air Lines. At year's end, Canadian Pacific Air Lines were operating 27,610 route miles in international service and 9,354 route miles in domestic service.

In October, Canadian Pacific Air Lines announced the purchase of a fleet of Britannia turbo-prop airliners, three of which are scheduled for delivery in 1957. Capable of a speed of 400 miles per hour and with a cruising range of 6,000 miles, these new Britannia aircraft will enable Canadian Pacific to fly 100 passengers non-stop between Vancouver and Amsterdam in 12 hours, and between Vancouver and Tokyo, non-stop, also in 12 hours.

During the year, Canadian Pacific Communications, in conjunction with their Canadian National counterpart, continued the development of microwave installations linking Montreal-Quebec City; Toronto-London, and London-Windsor. This system of microwave "repeaters" located at intervals of approximately 30 miles, carries message circuits from city to city. Each microwave channel can carry one television circuit, or 600 voice circuits. The present single channel system can be expanded to accommodate seven channels as demands warrant. The Montreal-Quebec City circuit, which inaugurated service in July of 1955 on a temporary basis and is now carrying television programs for the Canadian Broadcasting Corporation, will be completed this month. The Toronto-London circuit was completed in December, and the London-Windsor circuit is likely to be completed in February.

The company, following a policy of modernization with attendant increased efficiency, is in the process of streamlining accounting procedures through integrated data processing, using electronic computers. In furtherance of this new development, which is of broadest significance, a research group is working on detailed planning for the new system and preliminary changes in advance of installation are being put into effect as rapidly as possible. The core of the new system is an I. B. M. 705 electronic data processing installation, the first to be ordered in Canada, and scheduled for delivery early in 1957. Its electronic brain has such amazing speed in adding, checking, matching, multiplying and dividing that the new processes which it will make possible will affect the handling of much of the paperwork of all departments.

In another sphere the company has maintained an enviable record. The National Safety Council's coveted "Public Safety Activities" award, in recognition of outstanding public safety programs directed to employees and the general public, was won last year by the company. This award is designed to recognize and stimulate safety work by the railways.

In 1955, then, there has been widespread improvement and expansion of Canadian Pacific equipment and services throughout the nation and abroad.

This progressive modernization of its land, sea and air facilities will strengthen the position of the company in the highly competitive transportation industry of today and will materially assist it in meeting the transportation requirements of an expanding Canada tomorrow.

HARLOW H. CURTICE

President, General Motors Corporation

Nineteen fifty-five was an outstanding year for business in general. It was a record year for the automotive industry.

I am confident that 1956 will be another year of prosperity for the United States and most of the free world.

Harlow H. Curtice

Among the important reasons for our nation's prosperity in 1955 was the high degree of consumer confidence that existed, coupled with a record level of consumer disposable income. People had money, and they had the confidence to spend it.

The automobile industry won a record share of this consumer spending because its 1955 products were so outstanding and represented such great values under the conditions of vigorous competition that prevailed. Customers—especially General Motors customers — recognized these values quickly.

As a consequence, 1955 results in our industry outdistanced the predictions of forecasters—including mine, and I think I was the most optimistic of all.

The forces that produced prosperity in 1955 and other recent years will continue to operate in 1956. In addition to those already mentioned, they include an expanding population, technological progress, large capital investments by industry, full employment and other factors.

For the automotive industry, 1956 will be another year of healthy competition. This will mean maximum benefits to the customer. Speaking for General Motors, I can say we expect it also to mean a profitable year for our dealers, suppliers, employees and shareholders.

LAWRENCE M. CURTISS

First Vice-President,
American Investment Company of Illinois

Continuation of the present prosperity is expected in 1956, with some leveling off from the rapid increase of 1955. Demand for goods and services appears to be strong in most industries, and this will have a continuing favorable effect on the consumer finance industry. Jobs will continue to exceed 65 million and disposable income will probably reach $280 billion.

Lawrence M. Curtiss

With the general economy continuing strong and robust, the consumer credit industry will continue to grow at about the same pace as in 1955. Consumer spending will provide the major stimulus for the expected increase in gross national product in 1956. Job security and rising wage scales will underwrite a continuation of consumer confidence. Availability of credit for the consumer will continue on much the same basis as in 1955.

Delinquencies and losses in the consumer credit field will improve slightly over 1955.

The political uncertainties of an election year do not affect the consumer except indirectly, when business fears are so strong as to cause a reduction in employ-

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E. F. Willett With Shields & Company

The investment banking firm of Shields & Company, 44 Wall St., New York City, members of the New York Stock Exchange, announces that Edward F. Willett is now associated with the new business department of the firm. He was formerly a Vice-President of F. Eberstadt & Co. Inc.

Edward F. Willett

Mr. Willett, an economist and author specializing in finance, received his doctorate in economics at Princeton University and later served on the faculties of Princeton and Smith College. In 1946 he was research assistant to the then Navy Secretary, James Forrestal, and two years later headed the staff of the Hoover Commission's Task Force on the National Security Organization. He received the Navy Department Distinguished Civilian Service Award, the highest civilian decoration awarded by the Navy.

NASD District No. 6 Elects New Officers

DALLAS, Texas—At a meeting of the District No. 6 Committee of the National Association of Securities Dealers, Inc., Barron McCulloch was elected its Chairman for the year 1959. Mr. McCulloch is proprietor of Barron McCulloch & Co., of Fort Worth, Texas. He succeeds Philip R. Neuhaus of Underwood, Neuhaus & Co., of Houston, Texas, as Chairman.

Barron McCulloch

Committeemen recently elected to serve until Jan. 15, 1959 are: Louis J. Kocurek of Rauscher, Pierce & Co., Inc., San Antonio, Texas; Neill T. Masterson, Jr. of Chas. E. White & Co., Houston, Texas.

Other members of the District No. 6 Committee are: Charles J. Eubank of Charles J. Eubank Company, Waco, Texas; William G. Hobbs, Jr. of Russ & Co., Inc., San Antonio, Texas; Walter M. Sorensen of Rotan, Mosle & Co., Houston, Texas; Nelson Waggener of Walker, Austin & Waggener, Dallas, Texas.

The District Governor for District No. 6 is: Edward H. Austin of Austin, Hart & Parvin, San Antonio, Texas.

District No. 6 comprises the entire State of Texas.

Mr. McCulloch expects to make an early announcement of appointments to the Business Conduct, Quotations and Uniform Practice Committees.

With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine — John P. Goucher has become connected with Lincoln E. McRae, 23 Maine Street.

Now With C. H. Reiter

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Howard N. Mathes is now connected with C. H. Reiter & Co., Fifth Third Bank Building, members of the Cincinnati Stock Exchange. He was previously with Nelson, Browning & Co.

NASD District No. 4 Elects New Officers

MINNEAPOLIS, Minn. — At a recent election of District 4 of the National Asscciation of Security Dealers, M. H. Bishop of the M. H. Bishop Company, Minneapolis, was elected Chairman for the coming year, and Charles R. Bennett of the J. M. Dain Company, Minneapolis, was elected Secretary. Previously, Edward J. McKendrick of Johnson-McKendrick Co., Inc., Minneapolis, was elected Governor for a three-year term, beginning in January, 1956. Also elected for three-year terms on the board were Burnham Harris, of Harold E. Wood & Co., St. Paul, Clinton White of Piper, Jaffray & Hopwood, Minneapolis, and Arthur Tarras, A. C. Tarras & Company, Winona.

More Plan Secs. Opens

More Plan Securities Corp. is engaging in a securities business from offices at 500 Fifth Avenue, New York City. Officers are Edwin S. Lowe, President; Emil Von Arx, Secretary; Paul Burt, Treasurer.

Now Barron McCulloch & Co.

FT. WORTH, Tex.—Barron McCulloch & Company is continuing the investment business of Barron McCulloch, Continental Life Building.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Albert L. Rosen has become associated with Bache & Co., National City East Sixth Building. He was previously with Baxter, Williams & Co.

Fulton, Reid Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Bruce Kendrick has been added to the staff of Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Fahnestock

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Leonard Glazier is now affiliated with Fahnestock & Co., 75 Pearl Street.

With Barnes, Bodell

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—David P. Hocking has become connected with Barnes, Bodell & Goodwin, Inc., 257 Church Street.

Sheffield Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Frank M. Jefferson is now connected with Sheffield & Company, 325 State Street.

Joins Putnam Staff

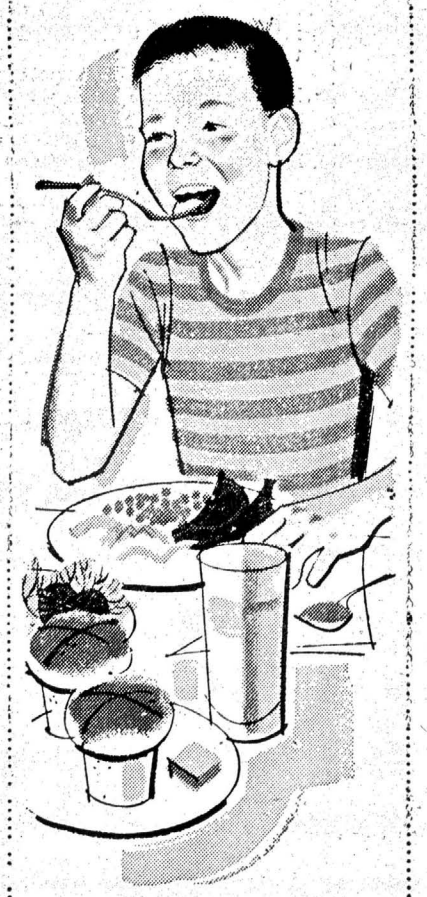
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James F. Kelly has joined the staff of F. L. Putnam & Co., Inc., 77 Franklin St., members of the Boston Stock Exchange.

Cyanamid Means ...

Better Metals

Better Food



Better Paper

These are just a few of many better products available to you through Cyanamid research and the application of its chemicals to improve quality and lower costs.

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ment. This does not appear prospectively to be the case in 1956.

Population growth, new family formation and wider use and acceptance of credit all are expected to add to the demand for consumer credit in 1956. Growing acceptance of this service as a part of the average family's purchasing power is the largest single stimulus to the growth of this industry. Additional families accept and use consumer credit every day in satisfying their needs and wants in the market.

The consumer finance or personal instalment loan segment of consumer credit will maintain its rate of growth in 1956. Present indications point to about a 10% increase in the consumer finance industry in 1956. The growth of this industry is not tied to the continued high sales of automobiles.

American Investment Company of Illinois expects to exceed in 1956 the records which it set in 1955. Outstanding loans of this company, which is headquartered in St. Louis, should be up about 10% from this year's expected $165 million. Expansion of the company's offices will probably exceed 1955 growth.

New offices opened in 1955 will begin to add to American Investment's earnings in 1956, and it is expected that the company's gross income as well as its net earnings will exceed its 1955 figures.

Availability of credit for the consumer will continue on much the same basis as in 1955. No general tightening of credit terms is foreseen at this time. Delinquencies and losses in the consumer credit field will improve slightly over 1955.

In general, 1956 appears to be a year of continued expansion of the economy, based on general business confidence, continued confidence of the consumer in his job and future income, continued high employment, rising disposable income and increased consumer demand for the goods and services produced by industry.

WILLIAM L. DAY

Chairman, The First Pennsylvania Banking & Trust Co., Philadelphia, Pa.

The year 1955 has been a busy one for bankers and it is probable that the capacity level of industrial activity and the consequent intense demand for credit accommodations will continue into 1956. The year 1954 closed on the hopeful note that the business readjustment had about run its course and that the following year would see a resurgence of business activity. Few people realized at that time that the production facilities of the country, which had already been greatly expanded since the war, would not only be fully utilized but, indeed, unable to completely meet the demands of our economy 12 months hence. However, such is the case and once again we are being warned of "dangerous inflationary" potentialities which must be met by credit restraint all along the line.

William L. Day

Two fields of activity have given our economy a tremendous boost in the past year, i.e., the automotive and home building or, more broadly, the construction industry. This activity has been sparked to a large degree by easy credit with the result that many of our leading financial authorities are vitally concerned with the large amount of debt contracted by our people. The expression "powered by credit" has been coined to describe our economy of 1955.

This reliance on easy credit is an important consideration in the outlook for 1956. Without debating whether or not the level of consumer or mortgage debt is too high, it is generally recognized that financial restraint is the order of the day and, since this is a very delicate problem where slight variations have momentous delayed reactions, mature judgments and great skills are required if our economy is not to gyrate unduly. Certainly, the aim of our government is full employment, but, equally important, is to avoid serious inflation, for in the long run this is the most devastating of all phenomena. Thus, our supervisory authorities must walk the "razor's edge" and this is not an easy accomplishment.

Specifically if automobile credit is really tightened at the consumer level, we will undoubtedly see a contraction in automobile output and since this industry reputedly directly or indirectly affects 40% of our economy, the results could be serious. The housing field is another great prop to our welfare. We have already seen in this year successively tightening of credit, a consequent reduction of housing starts and now a relaxation of credits by certain governmental agencies. This reversal might restimulate activity in this field.

I have touched on these two areas of activity to indicate the sensitiveness of the situation and the impact credit restraint or ease could have in 1956. These areas are only two in the general picture, but they have commanded a great deal of attention from bankers in the past 12 months. Other segments of the economy are also operating at a high level, but, to date, we do not see any great accumulation of inventory which in the past has been one of the danger signs pointing to the last phase of an unhealthy boom.

What does all this add up to for 1956? At this writing we look forward to a high level of business activity for the first half at least. A great deal will depend on how drastic and how long credit restraint remains. Most of us feel that any sharp downturn would not only call for relaxation of credit controls, but also for actual stimulation of business through tax reductions and other means at the disposal of the government. Prosperity and full employment are the order of the day.

HARRY W. DAVIES

Chairman and Chief Executive Officer, Marine Midland Trust Company of Central New York, Syracuse, N. Y.

It is a challenging privilege to be asked to contribute to the *Commercial and Financial Chronicle's* "Annual Review and Outlook Issues."

In review, 1955 was a very good year for the Marine Midland Trust Company of Central New York and the banks of this country. Deposits grew to an all-time high, loan volume increased, and profits generally were the largest ever.

H. W. Davies

Looking ahead into 1956 I see a good, active year. July through December may show an irregular pattern but the business momentum built up last year should be a vitally important factor in maintaining a satisfactory level for at least the first six months of the year. Our complicating and sometimes perplexing economy can make it difficult for one to come up with specific predictions. However, it seems to me that the Federal Government's present fiscal and monetary policies are aimed to maintain the current degree of prosperity. The anti-inflationary powers that have been exercised from time to time have been and will continue to be eased as the need becomes apparent.

Personal income very likely will rise in 1956 and with this, quite naturally, consumer spending. This might be supported by reduction in personal income taxes. If there should be any letdown in consumer spending, the heavy demand for producers' goods will act as a balance.

The Federal Government can be expected to spend larger amounts for schools and highways. The total amount may be determined in part by the amount of stimulus needed in the over-all economy.

The demand for home mortgage money, which exerted much of the pressure for long-term credit in 1955, may slacken in volume under the influence of mild mortgage credit restraints presently in force. The figure of 1⅓ million housing units started in 1955 will not be reached this year.

One of the brightest spots in the picture for 1956 will be the increase in business capital investments as owners, in a vigorous effort to reduce production costs and maintain or obtain a competitive edge, enlarge or modernize plants and purchase new and needed equipment.

Bank deposits will undoubtedly grow considerably in 1956 and bank earnings will continue at new highs. It is my opinion that the commercial banks of the country stand ready to meet the credit needs of manufacturers, producers, and consumers in a wise and orderly manner.

1956 can be as good as 1955—the bankers of the country are eager to shoulder their responsibilities and do their part in making this prediction come true.

HARRY A. DeBUTTS

President, Southern Railway System

It is often said that, "Money talks."

I know no better way to express an opinion about future prospects in the South which the Southern Railway System serves than to direct attention to the fact that in 1955, with some deliveries to come in 1956, the Southern ordered 5,500 new freight cars at a cost of about $49 million.

Harry A. DeButts

And, at the beginning of 1955, the Southern was recognized as one of the nation's railroads, which had a reasonably satisfactory car inventory. With the delivery of the cars on order, our freight car fleet will be 47% new since 1945. The latest cars ordered are needed largely to meet increased requirements for rail transportation service in the South.

Many additional millions are being spent on other property changes and improvements for better service. Cars, though, are the best measure by which business prospects in the region can be judged; in them we move the commerce of an expanding economy.

That is in today's and tomorrow's South, where still-undeveloped potentials promise an uninterrupted industrial and business growth, paralleled by steadily-increasing per capita income in states that are still under the national average for such income.

We have no doubts about the growth in the South for 1956 and for years ahead. As the major railway serving almost the whole region, we can only hope that 1956 will bring us a realistic reworking of the national transportation policy along lines which President Eisenhower has suggested to the Congress.

We will be able to serve the needs of the South best as shackling limitations of existing monopoly-type regulation are replaced with laws providing an opportunity to compete freely and fairly for business. And the growing business and industry of the South will benefit from having a free choice among types of transportation, each doing its share according to its abilities to serve at prices set in the free market of open competition.

Pending such a happy development, we continue to operate in a way that expresses our complete confidence in the future of the South.

WILLIAM DENNY

Executive Vice-President, Merritt-Chapman & Scott Corp., Construction Dept.

1956 should be another banner year for the construction industry.

Construction in 1955 exceeded all estimates with an increase of some 25% over 1954. The consensus of the industry is that an increase of about 5% may be expected in 1956 from 1955, barring the complications that might develop from unexpected developments in international affairs.

William Denny

At Merritt-Chapman & Scott, we believe that 1956 will be one of our best years. Currently we are engaged in a wide diversity of projects all over the United States and Canada, and abroad in Australia, Cuba, the Dominican Republic, Greece, India, Labrador, Spain and New Zealand. With a broader base in the construction field because of the acquisition last year of The Savin Construction Corporation, of East Hartford, Conn., and its subsidiary, The Whaling City Dredge & Dock Company, of Groton, Conn., Merritt-Chapman & Scott expects to obtain its share of the expanding business. Acquisition of the two New England-based companies, nationally known for their accomplishments in the highway construction field, gives M-C&S a rounded construction organization capable of tackling any type of construction.

Our feeling of confidence concerning the outlook in 1956 is shared by the industry generally.

The Associated General Contractors of America, Inc., in its annual construction review and outlook, for example, reports that "present indications are that during 1956 another all-time record of construction activity will be established for the 11th consecutive year."

In support of its prediction, it notes that business expenditures for plant and equipment as reported by the Securities and Exchange Commission and Commerce Department in the first quarter of 1956 are expected to be at a rate of 12% above the average rate for 1955. It adds that action by Congress on an expanded highway construction program at its present session was predicted by both Democratic and Republican members of the Senate and House Public Works Committees at the annual meeting of the American Association of State Highway Officials in New Orleans last month.

1956 should be a good year for the industry and for us.

J. W. DEVINS

President, The Minneapolis & St. Louis Railway Co.

A continuance of the trend well established in the second half of 1955 offers a healthy start for business in 1956 in Minnesota, Iowa, South Dakota and Illinois.

John W. Devins

These four states, served by The Minneapolis & St. Louis Railway Company, finished 1955 with strong, sustained surges in industrial activity.

Reports from manufacturers, distributors and other business leaders on our line are optimistic. Expansions of cement factories on our line has encouraged us to purchase 90 covered hopper cars, at a cost of $675,000, in the past six months.

Agricultural crops in the states we serve were big and healthy last year despite a drought in north central Iowa. Therefore, we anticipate satisfactory business in relation to grain carloadings. Like other railroads, we face the immediate challenge of a sizable increase in labor costs which demands a more efficient operation, and we therefore must continually strive to offer the best possible transportation service.

EDGAR H. DIXON

President, Middle South Utilities, Inc.

The operating companies of the Middle South Utilities System extended service to the System's 800,000th electric customer in June 1955, highlighting the many operating records established during the year. New records were achieved in sales of electric energy, electric operating revenues and average kilowatt-hour use by residential and rural customers.

Edgar H. Dixon

These and the other 1955 records established by Middle South Utilities, Inc., are indicative of the industrial and economic development of the Middle South during recent years. Stimulating the area's growth are the development and load-building activities of the Middle South System companies—Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service Inc. These companies, which coordinate their community self-improvement and industrial development programs with those of state and local business, civic and professional organizations, are making important contributions toward the future progress of the region. Their efforts are aimed at attracting attention to the wide variety of resources which

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American Trade Unionism: Voluntarism or Coercion?

dared to criticize the trade union ideology. This was an act of intellectual honesty and took a measure of courage. Few other academicians have gone this far.[3]

There is need of worker representation in a mass-production industrialized economy. This need is seen in other fields as well as in industrial relations. For example, bargaining specialists are utilized by authors, concert artists, and actors and in many negotiated contracts and awards in industry and government. The need is not only economic; it is psychological and sociological. Today's industrial worker needs the feeling of "belonging"—the sense of participation in decisions which affect his destiny. Otherwise, he is liable to frustration and a feeling of submergence and atomization.

My criticism of trade unionism, while paralleling Simons' in some respects, is only of the coercive aspects in the current economic rationale of the organized labor movement. The chief weakness I find in the rationale is its dependence upon the use of compulsion, a point well developed by Simons.[4] Trade unionism, and especially collective bargaining, should not be an instrument of blunt force but rather an instrument of reason. Compulsion—i.e., force—is not within the American tradition; the principle of voluntarism is.

Thus the big question for organized labor is: voluntarism or coercion?

Henry Simons stood four-square on voluntarism as the indispensable concomitant of a free society.[5] In a similar vein, Samuel Gompers, the "grand old man of labor," said in his final presidential address to the AF of L in 1924:[6]

"Guided by voluntary principles our Federation has grown from a weakling into the strongest, best organized labor movement of all the world. . . . I want to urge devotion to the fundamentals of human liberty—the principles of voluntarism. No lasting gain has ever come from compulsion. If we seek to force, we but tear apart—that which, united, is invincible."

In defense of voluntarism, let me say that ours, historically at least, is a free economy. By "free," I mean the substantial absence of private and public compulsion. In fact, the only legal repository of compulsion in society is the State. What public compulsion has existed has been primarily of the negative type implied in the concept of "limited government."

This nation was founded in the interest of freedom and individual self-determination. With little collective bargaining and no minimum wage laws American wages during the 19th and early 20th Centuries were probably the highest in the world and attracted to this country great waves of immigration. Free American wages fashioned living standards that were the envy of the earth's peoples.

These high wages did not spring from the magnaminity of employers. Rather, these high wages grew out of an unprecedented productive order with likely the greatest per worker capital investment in the world. This is my point: high wages arise, uncoerced, from capital.[7] Capital, in turn, arises from savings and savings from private property. Therefore, as we safeguard private property and thereby encourage savings and capital accumulation, so shall we stimulate an ever-increasing standard of living for the American worker. The primary need of a low-wage "underdeveloped" country is not minimum wages and trade unionism, which can come later, but capital — tools, plant, and the industrial sinews of capitalistic production. Capital, in short, is the fruit of freedom and the seed of still greater prosperity.

Principle of Coercion Should Be Abandoned

But if compulsion and freedom are mutually exclusive, can we say that American trade unionism would benefit by adherence to the principle of voluntarism and the abandonment of the principle of coercion? I think so.

The benefit could be manifested in higher wages. The ideology that labor and capital are antithetical to each other is false and is traceable to the Marxian concept of the class struggle. Labor and capital should cooperate with each other for each is indispensable to the other and to production. Higher production yields both higher wages and higher profits, as well as higher living standards to consumers. To see the wisdom of cooperation in production, note the experience of the Lincoln Electric Company of Cleveland.[8] President James F. Lincoln says that by cooperating to increase production, Lincoln Electric employees average a physical product per man almost twice that of competing unionized concerns. As a result, Lincoln Electric employees get annual wages that average $4,000 or $5,000 more than their organized counterparts in competing firms.

Such cooperation with capital to increase production and there-

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1 "Some Reflections on Syndicalism," *Journal of Political Economy*, March 1944, pp. 1-25. (Also reprinted in posthumous collection of Simons' work, *Economics for a Free Society* (Chicago: Univ. of Chicago Press, 1948) pp. 125-159.)

2 "For my part, I simply cannot conceive of any tolerable or enduring order in which there exists widespread organization of workers along occupational, industrial, functional lines." *Ibid.*, p. 1.

3 See, *e.g.*, Charles Lindblom, *Unions and Capitalism*, (New Haven: Yale Univ. Press, 1949); Ludwig von Mises, *Human Action* (New Haven: Yale Univ. Press, 1949); David McCord Wright (ed.), *The Impact of the Union*, (New York: Harcourt, Brace and Co., 1951), especially contribution by Milton Friedman; and W. H. Hutt, *The Theory of Collective Bargaining*, (Glencoe, Ill.: The Free Press, 1954).

4 Henry C. Simons, *ibid.*, pp. 2, 3, 24.

5 See especially his *Economics for a Free Society*, previously noted.

6 AF of L, *Proceedings*, 1924, p. 5.

7 In a sense, there is a degree of coercion in unorganized labor markets. Through competitive bidding, employers "force" their fellow employers to pay going wage rates or do without. Such market "coercion" is not unilateral, however, but simply a market phenomenon.

8 See James F. Lincoln, *Incentive Management, (Cleveland:* The Lincoln Electric Co., 1951).

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—SUN OIL COMPANY, *"Pioneering in petroleum progress for 70 years"*

"National Accounting Machines save us $75,000 a year. Considering our total investment of $75,050, we enjoy an annual return in savings of 100%.

"Our accounting is highly centralized. For example, while our operations cover both the United States and Canada, the control of our payroll is centered in Philadelphia. This one office organizes all the varying, widespread payroll information.

"We particularly like the original-print earnings record which provides analyzed detail for each of our 17,000 employees. Also important to us is the fact that it requires no 'middle-man' accounting for various deductions, statements for tax reports, savings bond detail and control, stock purchase records and insurance controls.

"Personnel taken from our own ranks is easily trained to produce prompt, accurate accounting records which permit us to maintain an efficient operation at all times."

Donald P. Jones
Comptroller

In your business, too, National machines will pay for themselves with the money they save, then continue savings as annual profit. Your nearby National man will gladly show how much you can save—and why your operators will be happier. (See yellow pages of your phone book, or write to us at Dayton 9, Ohio.)

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the Middle South has to offer, such as ample fresh water for industrial and community purposes; excellent air, land and water transportation facilities; extensive oil and gas reserves and mineral resources; and plentiful native labor. Continuing development of these resources should result in increased industrial employment in the Middle South in 1956.

Along with increasing industrialization and improving economic conditions of the Middle South has come a similar gain in the demand for electric energy. Recent system operations and budgeted future construction provides tangible evidence of the faith of the Middle South System in the expected continuation of this progress. In 1953 and 1954 the System companies completed 766,000 kilowatts of new generating capability, or more than one and one-half times the capacity of the entire system at the end of World War II. Another 135,000-kilowatt unit was brought into service in 1955, raising System capability to 2,165,000 kilowatts. This offers a comfortable peak over the 1955 peak of 1,711,000 kilowatts. Approximately $48 million was spent for construction in 1955. This will be raised to an estimated $60 million in 1956. Still larger capital outlays are expected for 1957 and 1958.

In terms of new capacity, a 102,000-kilowatt unit will be installed by New Orleans Public Service Inc. in 1957. Louisiana Power & Light Company contemplates the addition of a 200,000-kilowatt unit at its Sterlington Station in northern Louisiana in 1958. Looking further ahead, the expected load growth of the System indicates the need to add at least one large unit each year for some time. All in all, the 1956 outlook for the Middle South is good, and the System is making plans accordingly.

DONALD W. DOUGLAS

President, Douglas Aircraft Company, Inc.

America's aircraft industry was conceived in faith, developed on courage and is sustained by vision, so the people who comprise it are the type who are naturally optimistic about the prospects and outlook for the future.

In this regard, I count myself as no exception. There is no room for pessimism in evaluating our national prospects, as I see them.

Donald W. Douglas

We in the aircraft industry have every logical reason to maintain this feeling of confidence. The future of air travel never appeared more assured at any time in our country's history. Airline operators are demonstrating astute planning and management in providing vital service to travelers and creating new business through thoughtful operations and exploitation of the potential.

These operators have joined our industry in wholehearted endorsement of the most exciting and stimulating innovation in the long and colorful history of travel. The day of commercial jet transportation is at hand. Within our time every major city on the face of the earth will be within less than a day's travel, one from the other. Only time will demonstrate what dramatic new markets this will open for the transportation industry.

Continuing growth of the aircraft industry is best demonstrated by its stature at year's end. During 1955 commercial orders for new transports shattered all records for dollar value, number of aircraft and the airlift they will provide.

During the 12 months just concluded our company alone received orders for 328 commercial transports, enough to provide as much air transportation as all the commercial airliners in service throughout the entire world just six years ago. In 1955 commitments were made by 31 airlines for more than $1,125,000,000 worth of Douglas transports and spare parts. These orders raised the company's backlog of commercial airliners to 388, with a total value of more than $1,266,806,000.

Indicative of the new era, these orders include firm contracts with eight airlines for 99 DC-8 jet transports, plus options for 10 more not included in the 1955 tabulations.

Additionally, the aircraft builders of America have accepted the grave responsibility of assisting the national government in the implementation of its policy for survival. Our statesmen have demonstrated an awareness that air power is a primary arm of our defense and the United States cannot feel secure or safe with a second rate air power. This policy places a welcome burden of research, development and production on our industry. It is gratifying to us to be placed in the position of contributing directly both the nation's prosperity and its protection.

I have firm faith in the growing awareness of responsibility to our country's well-being by all segments of the national population. Labor, management and government have displayed increasing respect for each others views and an understanding for their separate problems. Development and continuation of such enlightened cooperation will prove to be the touchstone of a bright and promising national outlook.

CYRUS S. EATON

Chairman of the Board,
The Chesapeake and Ohio Railway Company

Fifty million stockholders by 1965! That is the ambitious goal American industry ought to set itself in order to raise the vast quantities of growth capital it needs from private sources, free from the bureaucratic interference that inevitably accompanies governmental assistance.

Cyrus S. Eaton

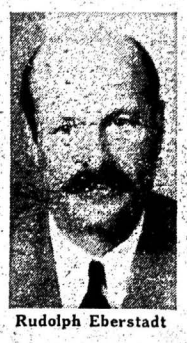
The year 1955 has gone into the record books as one of the best in American business history. Amazingly, all signs point to even better results in 1956, while the long-term outlook is for a continually expanding economy to keep pace with a rapidly increasing population. The basic industries with which I am associated—railroading, iron ore, steel, coal, public utilities and paint—all face a rosy future. In my view, they, like other industries, will find the best assurance of realizing their bright prospects in seeking as large a part as possible of the funds they need for growth from equity financing. Admittedly, 50,000,000 stockholders by 1965 is a large order. There are no completely reliable statistics available on the number of Americans who now own stocks, but the most conservative estimate seems to be a mere 5,000,000 while the most venturesome guess runs no higher than 10,000,000.

Where will American industry ind 40,000,000 or 45,000,000 new stockholders? The most logical sources is right within its own ranks, the able and eneregtic men and women on its payrolls. With the added stake of stock ownership, these employes will gain new incentive to strive for the success of their companies. And if we have 50,000,000 capitalists in the United States, there will be little room for socialism or communism.

RUDOLPH EBERSTADT

President, Barium Steel Corporation

While the year 1955 set an all-time record for the over-all American economy in respect to total national product and disposable income, several conflicting trends were apparent in the economy. Defense spending continued to decrease and there were radical changes in the type and quantity of items needed for the military establishment, which in turn caused some dislocation for particular industries and companies. Automobiles, building (both private, public and corporate) reached new all-time peaks with the result that such industries as steel, automobile parts, oil and gas, electric power, paper. and a variety of consumer goods enjoyed excellent business.



Rudolph Eberstadt

From the standpoint of our own company, the year started out slowly with the heavy steel products—plate and structural shapes which we manufacture, being in considerable over-supply. Railroad car building, ship building and other heavy industries which consume our products are of a cyclical nature and had a poor year in 1954, as a result they were slower than the general economy to catch the business upswing which began early in 1955. However, by midyear all of these industries had picked up momentum and the demand for heavy steel products has continued at an ever increasing pace.

From many of the opinions given by economists and by heads of industry, the year 1956 should be even better than the very excellent results of 1955. Building is estimated to be some 12% ahead of 1955 and the automobile people are predicting another boom year with the possibility of exceeding the very high levels of approximately seven and one-half million cars to be reached the past year. Announced plans by many major companies for plant expansion are factual evidences of the faith in the immediate future of our economy and the longer term trends.

The recent apparent about-face of the Russians at the meeting of the foreign ministers emphasized the need for America to maintain its armed forces at peak efficiency and this appears to be translating itself into increased defense spending. Also, there is no doubt that ample credit is available to finance a further expansion in business activity. In fact, every element for an exceedingly prosperous year seems to be available.

It is my hope and belief that the people of America will use their vast potential of resources wisely and with moderation. The great danger to any economy as we know from the past, is the too over-optimistic use of credit and the unbridled speculation which can only end in a disastrous break in prices and production. I believe that our political leadership is sound and that it will avoid the pitfalls of excesses which history has pointed out to us.

A. G. ELAM

President, Southern Commercial and Savings Bank,
St. Louis, Missouri

Since 1956 is election year, each party will endeavor to "out subsidize" and "out give away" the other. Neither one will strongly recommend a reduction of unnecessary expenses—personal, public, or private, even though such debts are at an all-time astronomical height. Practicing such extravagances has reached such a momentum that an imaginary prosperity will continue during the year 1956. We criticized the Fair Deal for many, many years, but the philosophy, "I'll cry tomorrow," continues at an accelerated rate.

A. G. Elam

Thoughtless spending has always turned out to be a curse and always will be. Anyone advocating the paying of debts, balancing the budget, or reducing needless expenditures, will be accused of unpardonable and inexcusable heresy. To burden ourselves with unconscionable financial obligations, individual or otherwise, including our prodigal government, makes Bulganin and Khrushchev (the shadows of Stalin) laugh out loud instead of just smile. They know that if we keep up this spree of "spendthriftness" and this reckless waste, they will be able to take us over lock, stock, and barrel at a bankrupt bargain price. Lenin knew what he was talking about when he predicted that given time the American capitalistic system would devour itself by its own unrestricted prodigality.

Practically everything we possess today is mortgaged to the hilt, and we have mistakenly and unsoundly mortgaged not only this generation but future generations. It is frightening to read the statistics on how few purchases today are paid for in cash. The soundness of credit is rarely taken into consideration. A great majority of our automobiles, homes, appliances, and household goods are bought on the cuff, most of which is caused by people, who are trying "to keep up with the Joneses." Many of these purchases are mortgaged beyond their present values, which, in sound economic thinking, spells disaster, and the tragic part of it is that a lot of bankers are guilty of encouraging such unsound methods.

The words "stop, look, and listen" are no longer in our vocabulary. Conservative and cautious advice is no longer heeded. Those of us who urge vigilance are called old fogies and belong to the horse and buggy days. Too many people refuse to face realities, and restraint is unknown.

The only way I know how to describe our present economic condition is that it is building a fictitious and artificial foundation, which will cause stretching at the seams—then, the explosion. I am very happy that I was not asked to predict what will happen after 1956.

HON. ALLEN J. ELLENDER

U. S. Senator from Louisiana

Perhaps the most vital piece of legislative work facing the second session of the 84th Congress is the urgently-needed revision of our farm program. The farm price "squeeze," which has slashed the farmer's share of the nation's market basket dollar from 52 to 39 cents in less than nine years, and which has resulted in dropping farm prices even while consumer prices rise, threatens not only American agriculture, but the entire American economy.

Allen J. Ellender

The national economic chain is only as strong as its weakest link; like a three-legged stool, our financial health cannot long stand if one of the three legs is cracked or weakened.

While I am reasonably certain that Congress will enact a farm program which will enhance the financial well-being of our farmers, particularly the small farmers, the other two "legs" of our economic stool must not expect legislation alone to do the whole job.

Labor and industry should join with agriculture in ferreting out the cause of today's price squeeze, and in solving it, since those two segments of our economy are so dependent upon the continuous flow of raw products from our farms. It is not only unfair, but also basically unsound for the balance sheets of labor and industry to show a continued increase while the farmer's share of the American consumer's dollar continues to shrink.

As to what course this much-needed cooperation should take, I am not in a position to recommend. However, their own temporary well-being should not blind labor and management to the fact that they cannot long remain strong while the farmer's pocketbook is shrinking. We have already had one disastrous experience with lop-sided economic growth. A repetition of the depression-plagued 1930's would surely lead to the destruction of our way of life.

As for the legislative phase of what must be a two-pronged effort to solve our pressing agricultural problems, it is my hope that the Congress will adopt a farm program aimed at achieving two specific goals.

The first of these is a system of price supports which will encourage production of readily salable commodities

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American Trade Unionism: Voluntarism Or Coercion?

by wages is the principle of voluntarism in action. To cooperate, trade unionists would have to sweep away certain cobwebs from their thinking. The "lump-of-work" theory would have to go and with it featherbedding and the slowdown. The machine would have to be viewed as a wealth-creator instead of a job-destroyer. Time studies, the thorny issue in the Westinghouse strike, would be encouraged as an instrument of efficiency. Typographers would stop demanding pay for setting "bogus" type. Bricklayers would drop daily quota restrictions. Musicians would drop the speciousness of "stand-by" musicians. Painters would welcome spray guns. And automation would neither be feared nor used as an excuse for national planning and a production-cutting 4-day, 32-hour week. Thus, as the worker's marginal product rises, his wages would inevitably move in the same direction.

For another example of the efficacy of voluntarism, let us view the case of compulsory membership. That voluntarism is superior to coercion is seen in a statement made this year by so eminent a trade unionist as Charles Geddes, Chairman of the British Trades Union Congress. Mr. Geddes said:

"I do not believe that the trade union movement in Great Britain can live for very much longer on the basis of compulsion. . . . Must people belong to us or starve whether they like our policies or not? Is that to be the future of the movement? No, I believe that a trade union card is an honor to be conferred, not a badge which signifies that you got to do something, whether you like it or not. We want the right to exclude people from our union if necessary, and we cannot do that on the basis of 'belong or starve.'"

This Geddes statement is in obvious disagreement with the prevalent trade union opinion in the U. S. This opinion is manifest in the opposition to our so-called "right-to-work" laws passed by 18 States. In view of the American tradition of freedom, it seems incongruous that such a law as "right to work" was ever necessary.

As Texas Judge E. C. Nelson reminded us in last year's Santa Fe case,[9] we have the First Amendment guaranteeing "freedom of assembly." Yet is compulsory unionism consistent with free assembly? We have the famous Fifth Amendment, which guarantees the worker his "life, liberty and property." And, assuredly, is not the worker's liberty violated by compulsory membership? We have, deservedly, a prohibition of the employer's "yellow dog" contract. Now if the employer can no longer unfairly force a worker not to join a union on the condition of his job, how can a union logically force union membership on the same condition of the worker's job. If coercion is wrong for the employer, surely then it is wrong for the union. As the late President Roosevelt said in 1941 during the union shop struggle in the captive coal mines: "The government will never compel this 5% (of unorganized miners) to join the union by a government decree. That would be too much like the Hitler methods toward labor."

Apart from the incongruity of captive memberships, unions stand to lose organizational discipline and loyalty, as well as membership *esprit de corps*, by demanding union and closed shop clauses. Union leaders can hardly bespeak of democracy, justice, and equity if they force unwilling workers into their ranks.

The Trade Union Proclivity For Monopoly

Another instance of the coercion principle is seen in the trade unions' proclivity for monopoly, sometimes called "unity" or "solidarity." Monopoly involves the power to force prices above competitive prices, a power subject to vast economic abuse. Unregulated monopoly power entails the coercive deprivation of consumers and an uneconomic use of resources. Monopoly, in short, can be equated to compulsion.

To protect the American people against monoplies, we have the Sherman Act and other anti-monopoly laws, so vigorously enforced that the government stops the proposed merger between Bethlehem Steel and Youngstown Sheet and Tube as well as a host

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[9] *Sandsberry v. Santa Fe*, District Court, Amarillo, Texas, Feb. 6, 1954.

Much of Procter & Gamble's present success stems from research started ten or more years ago . . . and the future promises to follow the same pattern

During the past year, Procter & Gamble introduced five new products to the housewives of America: A new shortening, a new toothpaste, two new detergents and a new shampoo. A brand of peanut butter has also been added to the Company's growing list of products.

While they were all *introduced* within about a year, their *development* in some cases took ten years or more. Each represents the final result of research, planning, testing and re-testing over a long period of time.

This continuing program of product development gives Procter & Gamble the ability to adjust to new conditions and new demands as they occur. It is part and parcel of the Company's growth and progress—and in it lies the Company's greatest promise for future success.

* * *

And Procter & Gamble has long made a practice of sharing its success with its employees—through Guaranteed Employment, Pension and Profit-Sharing Plans and other benefits.

Procter & Gamble

CRISCO • FLUFFO • BIG TOP PEANUT BUTTER
OXYDOL • DASH • PINK DREFT
JOY • GLEEM • CREST • DUZ • SPIC & SPAN
LAVA • DRENE • PRELL • SHASTA

BIG TOP SALTED PEANUTS • TIDE • BLUE CHEER
CASCADE • IVORY FLAKES • IVORY SNOW
IVORY SOAP • CAMAY • LILT • PARTY CURL
P & G WHITE NAPHTHA • PIN-IT

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—products for which there is a ready market, such as high-quality cotton and wheat, to name only two.

The second is some form of a soil fertility bank. Our farmers must be able to curtail their production during times of surplus; we must devise an effective method of permitting part of our "farm factories" to be placed in standby status. By compensating our farmers to curtail their productive capacity, place some of it in reserve, and increase the fertility of these unused acres, we can not only help reduce our surpluses, but we can also assure ourselves of additional high-quality farming capacity for the times when all-out production becomes necessary.

The inter-economic cooperation phase of our attack on farm ills must begin with a concentrated effort by labor, industry, and agriculture to determine the cause of today's "price spread," and must be followed by a realistic effort to reduce this spread, eliminate the farm squeeze, and assure American agriculture of its fair share of the nation's economic health. Any other course will lead to disaster.

W. E. ENDTER

President, Devoe & Raynolds Company, Inc.
A Division of the Chemical, Paint & Metallurgical Dept., Merritt-Chapman & Scott Corp.

The future of the paint industry is linked to that of general industry in a more definite manner than at any time in the past. Protective finishes are not only enjoying broader fields of application, but more than ever before are being used for their merchandising value as well as their prime function; prevention of rust, rot or spalling.

W. E. Endter

Sales volume last year was the largest in the paint industry's history and we at Devoe & Raynolds are hopeful—on the basis of all present indications that this record will be exceeded in 1956.

The use of color as a feature of a consumer product to stimulate sales has spread into many fields where the public heretofore could have its choice of any color only so long as it was black—or white. The tints and tones in an automobile sales room rival those in a dress salon and the sterile white of kitchen appliances has given way to a galaxy of color which in itself is often the deciding factor in the sale of such items.

Hard-headed businessmen have not casually complicated their production, inventory and distribution problems. The driving force is their customers'—the result of an urge for something "different." We now have a competitive suitation which often makes finish and color the only obvious difference between similar products. This chain reaction—consumer demand-to-sales outlet-to-manufacturer-to-industry suppliers — in turn puts new pressures on research.

Our research chemists at Devoe & Raynolds answered the demand, years ago, for a quicker and better method for painting the exteriors of new houses, with the first practical two-coat system; and followed that with the first one-coat house paint. Today they are developing bright, fresh colors and synthetic vehicles that assure longer-lasting beautiful finishes for everything inside or outside the home, for manufacturing plants, transportation facilities of every type, private and public construction everywhere.

But the demand is not for color alone. Devoe chemists anticipated a growing appreciation for beautiful wood grains, handsome stone colors and textures, striking ornamental and functional metals—and developed new clear protective coatings based on such synthetics as our own Devran epoxy resin. The usefulness of Devran, however, is not limited to the protective coatings field alone. Whole new vistas in adhesives, electrical insulation, laminates, plastics—even the tool and die industry are opening up. The paint industry is assuming a new role in American business; is now undeniably closely related to the plastics industry, and is swiftly becoming an important factor in chemical research.

Possibly this is where the future of the paint industry lies. Technological developments have been so rapid that it has become imperative for paint manufacturers to maintain competent research and product development departments. Certainly, if we continue to anticipate market requirements with new products such as quick-drying, easily applied, odorless and scrubbable paints; fire-retardant finishes and waterproofing-type finishes, and if we utilize fully modern merchandising techniques, the future for the paint industry is bright. Even if there is a business recession, which in view of our expanding economy is unlikely, the paint industry should not feel its effects to a serious extent. This is not to infer that the paint industry is a "depression business," but rather to reflect a conviction that the paint industry will follow the business curve on the "favorable side," if for no other reasons than the relationshp of the initial color and appearances of a product to its sales potential, plus the fact that the American public characteristically desires to enhance the beauty of their homes at the same time that they increase and protect their value.

FRANK F. ELLIOTT

President, Crane Co.

Business spending for new plants and equipment reached a record rate of nearly $40 billion for 1955. There is every indication that industry will invest even more heavily in capital goods during 1956.

Frank F. Elliott

Large builders predict an average increase of 10% in private non-residential construction during the next 12 months. Public works activities including new flood control and reclamation dams will be started this year, highway spending is going up and something finally is being done in a big way about providing additional school facilities throughout the nation.

With this substantial evidence of continued expansion, both in industry and in public works, the valve and fitting industry may logically anticipate another prosperous year.

The outlook for 1956 is equally optimistic in the plumbing and heating phase of our business despite the fact that home building declined from a rate of 1,300,000 new residential starts in the third quarter of 1955 to a rate of fewer than 1,250,000 starts during the last three months of the year. The basis for such optimism stems from the recent but well-established trend toward the second bathroom in each new home, even in those of more modest design. Today's contractor-builder does not find his homes readily marketable unless they are equipped with a second bath. The medium and higher priced homes not only include a second bath but now frequently feature a bathroom for every bedroom and additional comfort facilities adjoining basement recreation rooms.

An almost unlimited modernization market, which could easily offset any continuing dip in new residential construction, provides further economic insurance for plumbing and heating manufacturers and dealers. The United States Census of 1950 showed that 2,548,000 non-farm dwelling units were dilapidated and without a private bath, toilet or running water. More than 9,000,000 units had only cold piped water running inside the structure, piped water outside the structure or no piped running water at all. More than 8,000,000 dwellings had no private toilets. Adding farm dwellings to this picture would, obviously, multiply these figures many times over.

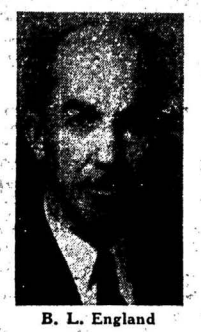
It is clear that the potential of the plumbing and heating modernization market is fantastically good. The industry's success in tapping that market in my opinion however, will be measured in terms of its own promotional efforts.

There may, of course, be temporary or fluctuating declines in some lines of the nation's industrial production, but in the light of available information I see no major slump in the immediate future. With technology moving so much more rapidly today than it ever has before, new products quickly obsolete those in the hands of consumers thereby stimulating the active replacement market that is keeping the American economy moving. Intelligent sales promotion is the spark that is necessary now to keep our markets expanding. And since everything that is consumed has to be produced, full employment will provide the dollars for continued buying.

I feel, therefore, that figures on market saturation are less significant each year and the possibility of a better year is always with us if our promotional efforts are adequate. Certainly this is the outlook for both the valve and fitting and the plumbing and heating industry for 1956.

BAYARD L. ENGLAND

Southern New Jersey had another notable year during 1955. For the first time in company history the winter peak electric demand (system output) exceeded the summer peak load, reached in August of 1955. Other reliable barometers of business indicate that the 1956 economic picture of the area will still be brighter.


B. L. England

The equalization of peaks is probably attributed to the diversity of the area, constant addition to industry coming into southern New Jersey and greater all year use of electricity. At the present time new industries and industry expansions are being added to the company lines at the rate of more than two each week along with 162 new customers every week. There were 8,400 new customers added during the year. On Oct. 1 the company connected its 200,000th customer, a gain of 50,000 in less than six years. The increase in the use of electricity in the past 12 months was 12%. Residential kilowatt-hour annual use increased steadily and is now 2,876 kwh.

Over $9 million was spent by Atlantic City Electric Co. for new construction during the past year, bringing the total construction expenditures to $69 million in the past six years. Gross revenue reached an all-time high of $29,157,065 for 12 months ending Nov. 30 representing an increase of 8% over the same period in 1954.

Future Looks Bright

Economic factors which should add to the favorable prospects for the company's area include the encouraging number of new industries and present industry expansion which, in my view, will continue its present trend of more than two-a-week.

To provide electric power for future expansion, the company has announced a new 75,000 kw turbo-generating unit at its Deepwater Plant which will be completed early in 1958. In addition, we are constructing a new 20,000 kw generating unit to serve process steam and by-product electricity to DuPont Chambers Works. In January, 1955, we added 75,000 kw to provide for growth.

We plan to spend over $14 million for new construction during 1956.

H. L. ENMAN

President, The Bank of Nova Scotia, Toronto, Canada

The year just drawing to a close has been a very good one for Canada, more than fulfilling the expectations which were generally held at its beginning. Canadian production constituted a record, employment reached new high ground, and unemployment which had become a problem last winter was sharply reduced. The Gross National Product will be over $26 billion in 1955, which is substantially more than in any previous year, including the former peak year of 1953 when it was $24.4 billion. An upturn was expected at the beginning of the year, but the surge forward which actually occurred was beyond the forecasts of the most sanguine.

H. L. Enman

On the basis of current momentum alone, the business outlook for the early months of 1956 is bright. If weather conditions are reasonably satisfactory, the problem of winter employment should not be nearly so severe as it was a year ago. And total production for the first half of 1956 at least should be at a new record high. Growth of population and of average wages and salaries should continue to support a high level of consumer expenditures, and world demand for most of Canada's basic exports (with the unfortunate exception of grains) promises to remain strong. Investment programs are being stimulated by the favorable export prospects, by the growth of the domestic market, and by the rapid rate of technological progress. Also important is the fact that work on the St. Lawrence Seaway is now proceeding, and that the way has finally been opened for the construction of the pipeline which will give Peace River natural gas an outlet.

I do not wish to suggest that the Canadian business picture is all good with nothing but clear weather ahead. Some of the manufacturing industries are still faced with real difficulty and we cannot assume that the rate of economic expansion which characterized most of 1955 will be sustained. There might easily be some slackening in the demand for houses and automobiles in this country and the United States after the high level of sales recently. Moreover, Canada has a wheat marketing problem, which has been aggravated by U. S. surplus disposal policies, and related closely to it a farm income problem. Though wheat is not as important as it once was, even in the Prairie economy, the effects of a decline in farm income cannot be regarded lightly.

Despite the wheat problem Canada generally has the kind of resources which the world needs and will probably need even more as time goes on. Canada has also been experiencing an exceptionally rapid rate of population growth in recent years. Her economic system and institutions combine a high degree of opportunity with order and flexibility. It is evident from the amount of foreign capital being invested in Canada that citizens of the United States and other countries hold a favorable view of Canadian prospects. In these circumstances, Canadians have good reason to regard the future with confidence.

E. S. EVANS, Jr.

President, Evans Products Company

Generally speaking, business should continue to be good through 1956. However, seasonal fluctuations probably will be felt to a greater extent than in 1955. After all, last year was one when we had such tremendous economic momentum that we actually did not experience the somewhat normal fluctuations which might be expected through a business year. The momentum of the tremendous automobile and housing economy of 1955 literally carried us over these valleys of seasonal fluctuation.

E. S. Evans, Jr.

Ninteen hunderd fifty-six also happens to be an election year, and we have grown accustomed to considering election years as sort of "economic leap years" when we pause somewhat to see what effect the elections may have on business. However, I do not feel the business outlook will be adversely affected by political changes in 1956—or the possibility of political changes. The fact that this is a political year should not affect any expansion plans now under consideration; plans based upon the anticipated capital expenditures and the continually growing market of consumers in this country.

After all, if our population does reach an expected 200 million persons in 1970—and we passed the 165 million mark this past summer, with the birth of 12 million babies in the last three years alone—the market potential here certainly justifies continued expansion.

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American Trade Unionism: Voluntarism or Coercion?

of corporate practices even indirectly constituting collusion or restraint of trade.

But with the Clayton and Norris-LaGuardia Acts, we have exempted the trade unions from the anti-monopoly statutes and legalized, if not encouraged, industry-wide and trade-wide unions and bargaining and a host of other monopolistic practices. As a result, the American people are exposed to all the dangers and abuses of union monopoly. For in the words of the Supreme Court in the Hutcheson decision of 1941:

"So long as a union acts in its self-interest, and does not combine with non-labor groups, the licit and the illicit . . . are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means." [10]

This philosophy is clear. Unions are to be the sole arbiters in their economic problems. The affected management, unorganized workers, union membership minorities, stockholders, consumers, and general public are to stand aside and trust in the wisdom and good intentions of the labor leaders. Will not such sweeping license lead to the same headiness found in the 19th Century trust operators' cry of "the public be damned?"

Unions as Legal Monopolies

Organized labor's discriminatory but legal monopoly enables unions to commit all the abuses from which trusts and cartels are justly prohibited. On this score, Thurman Arnold, then Assistant Attorney General under the Roosevelt Administration, charged before a Congressional Committee in March, 1942, that the Teamsters and the building trades were "adopting the same tactics that the Supreme Court had condemned in the case of the Aluminum Company of America—dividing territories where goods could be sold, erecting protective tariffs around communities, and creating a condition of scarcity."

Union monopolies are local, regional, and national. Local monopolies frequently restrict their ranks to newcomers to squeeze supply and exact higher prices. For example, the average age of N. Y. painters is 60, in the country as a whole, 55. The power of a local monopoly can be seen in the case of Teamsters Local 807 in New York City, which by violence or threats of violence to drivers of out-of-state trucks at the Holland Tunnel extorted $9.42 for each large truck and $8.41 for each small truck entering the city. When Local 807 was charged with violation of the Federal Anti-Racketeering Act, the Supreme Court again exempted labor units from the law of the land. Justice Stone dissented: "Such an answer, if valid, would render common law robbery an innocent pastime."[11]

National labor monopolies are evidenced in industry-wide bargaining, which can lead to paralyzing industry-wide strikes. This happened in Britain's dock and railroad strikes this year. It has been U. S. experience, as recently as last Spring's dock strike which closed Eastern and Gulf ports. Said John L. Lewis of one of his coal strikes: "Our economy is gradually being stagnated. As the days progress, tonnage will go off the railroads, factories will close, and distress will come to the American people." Of the railway strike in 1946, President Truman said: "Food, raw materials, shipping, housing, the public health, the public safety—all will be dangerously affected." Said Defense Secretary Lovett of the steel strike during the Korean War: "No enemy could have so crippled our production as has this work stoppage. No form of bombing could have taken out of production in one day 380 steel plants and kept them out nearly two months." I submit therefore that the power to shut off the labor supply of an industry at a stroke is apparently the power to cut off a nation from its livelihood, to starve it, and, in short, to hold it for ransom.

The legalization of private coercion is seen perhaps in a more pernicious form of monopoly — joint monopoly, sometimes called "joint labor-management committees" or "joint boards" but more frequently simply a collusive rapport between two regional or national monopolistic bargaining units to exact tribute from the consumer, *i.e.*, most frequently (and ironically) the worker himself.[12] Joint monopoly is feasible whenever the affected demand for the good or service is inelastic enough to permit the shifting of added wage costs to consumers. Such a situation is common in the milk-delivery, laundry, dry-cleaning, glazing, and building construction fields. While it is true that in 1945 the Supreme Court ruled that monopolistic price-fixing is legal only if imposed by the union alone, the ruling ignores the easy out of corporations of accepting the union suggestion of joint monopoly, saying they were "forced" to accept (which oftentimes is true).

The weapons of coercion in the union arsenal for forcing compliance of businessmen are formidable. The Taft-Hartley law may ban secondary boycotts and sympathy strikes but it is a brave and perhaps foolhardy employer who will seek enforcement.[13] Sabotage and sags in workmanship are also illegal but difficult to prove. In last year's Louisville and Nashville and Southern Bell Telephone strikes trains were derailed and power lines torn down. Slowdowns, however, are legal, according to this year's U. S. Court of Appeals 2 to 1 ruling of legalized "harassment" in the Personal Products Co. case. This is

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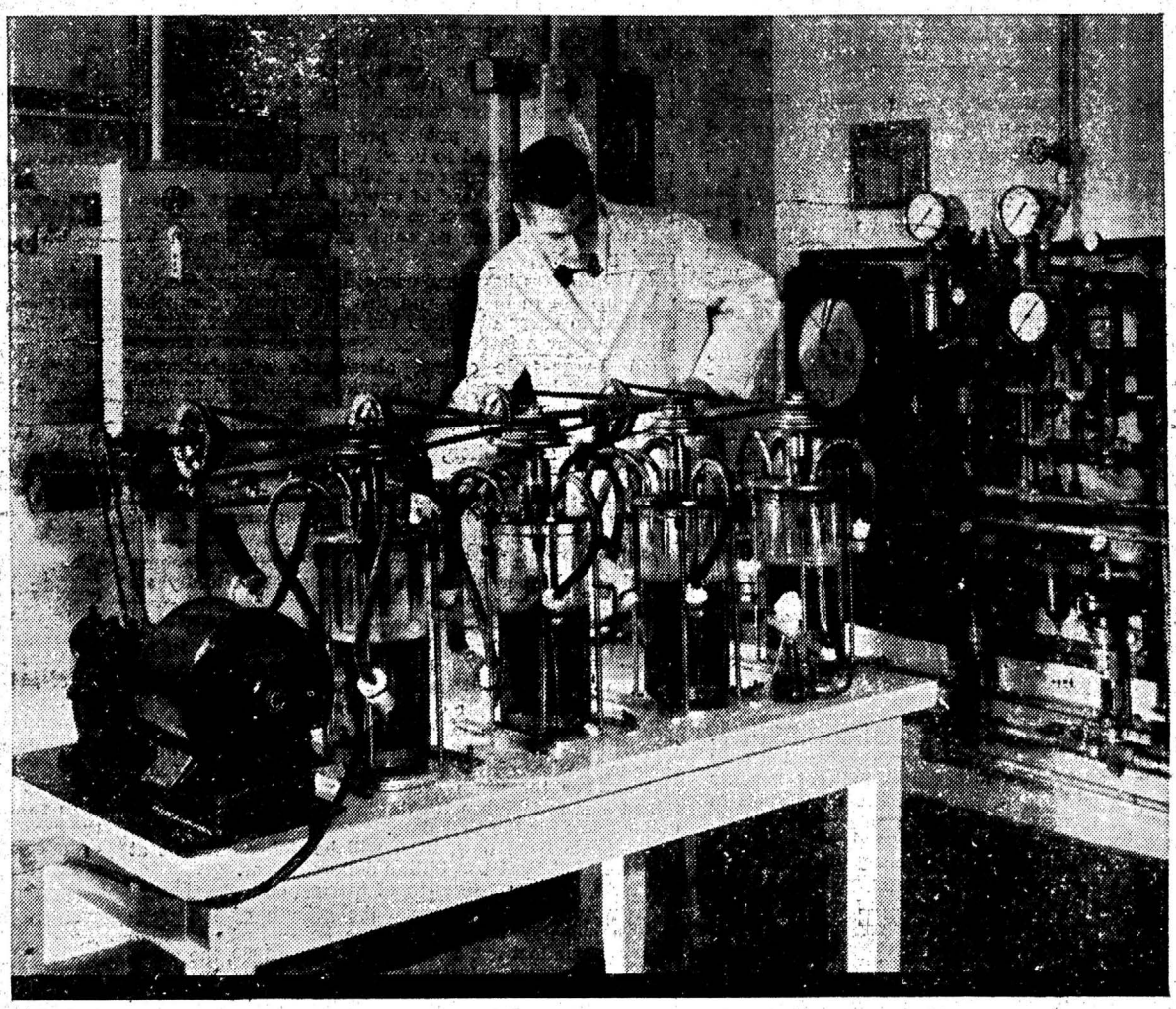
10 312 U. S. 219.
11 315 U. S. 521.

12 This point is developed by Simons. *Ibid.*, p. 2 ff.

13 There are also legal loopholes in the secondary boycott ban such as "hot cargo" clauses in union contracts.



Product Problem?

Ask Armour

Has this ever occurred to you: Even though Armour and Company is best-known as one of the nation's leading meat packers, you can draw on the wealth of experience Armour has to offer in many divergent fields. For example, chemicals, adhesives, coated abrasives, ammonia, glycerine, curled hair for upholstery, leather products and fertilizers.

Armour research has also made many contributions to medicine, through important developments such as Acthar (A.C.T.H. Armour) and many other life-saving pharmaceuticals.

Next time you are faced with a product problem in either the food or non-food category, perhaps the Armour research and development approach will help you find the best solution. In any event, it will pay you to ASK ARMOUR.

ARMOUR AND COMPANY

General Offices • Chicago 9, Illinois

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With this expansion, and with this potential market before us, there seems little possibility of a major recession in the foreseeable future.

Insofar as some of our own particular fields of activity are concerned, it appears that all railroad rolling stock, special equipment and supply business will continue at a good pace through 1956 and into 1957. Many projects, scheduled for the coming year, may necessarily have to be carried over into 1957 because the continued demand for steel has created steel shortages which undoubtedly will force postponement of some scheduled projects.

In the wood products field, the outlook continues to be good, despite the fact that production has been expanded tremendously since the war. Plywood consumption, for example, has increased from 12.7 square feet per person in 1949, to 30 square feet per person in 1955; and production this year is geared to an even increased demand.

Utilization of waste wood will be considerably greater in 1956; we, as a company, will continue to manufacture products utilizing so-called waste wood, and are seriously considering expanding the utilization of this wood. Over the past 12 months, we have greatly enlarged our research department along this line.

SAM M. FLEMING

President, Third National Bank, Nashville, Tenn.

By all accounts, 1955 has turned out to be the best year on record. Total value of goods and services produced increased 9%, or over $32 billion, over 1954 and personal income 6½%, or nearly $19 billion. There has continued to exist a remarkable stability in the purchasing value of the dollar which has fluctuated less than 1% in three years time. This unprecedented prosperity has taken place under the driving force of free enterprise and with no additional stimulation provided by government. It confounds the proponents and advocates of the various types of isms in government.

Sam M. Fleming

As a new year opens, we find the momentum of business activity so strong that it will undoubtedly carry forward into the first half of 1956, and perhaps longer. However, the general trend is less emphatically favorable than a few months ago and some basic indicators such as commodity prices and consumer debt are beginning to turn downward. Also, competition continues unusually keen, and the cost of doing business is still rising without an accompanying increase in the price of goods sold. These factors will present a real challenge to business management and must be given the closest attention in all future planning.

This area will undoubtely experience a record year in 1956 in commercial and industrial construction on permits already granted, with residential construction only slightly below 1955. The direct and indirect benefits from this work will go far to offset the weak spots in the economy of this section.

Generally speaking, we expect a good year, perhaps as good as 1955, but with some leveling off in the last six months.

FRED F. FLORENCE

President, Republic National Bank of Dallas
President, American Bankers Association

As the year 1956 begins, optimism tempered with caution is the watchword of the banking fraternity. Bankers are optimistic concerning the potentialities for another year of economic growth, but in view of the high level of business activity and the lessons of past experience, a cautious tone is injected into their discussions of the business outlook.

Fred F. Florence

The most important characteristic of the business situation at this early date in the new year is that the rapid upsurge of business in 1955 brought the economy to a point where the dangers of both inflation and recession must be kept constantly in mind by leaders in banking, business, and government. Labor and materials have become increasingly scarce in recent months, which means that the economy is operating very close to capacity. At the same time, however, signs of weakness have begun to emerge in certain key areas—notably automobile sales and residential construction. The sum total of these developments implies a crucial period for decision-making in both the private and public sectors of the economy. In the private sector, business and financial leaders, as well as consumers, can contribute to the continuation of good business by exercising prudence and moderation in their daily affairs. In the public sector, it is essential that our fiscal and monetary authorities maintain a high sense of alertness in adjusting policies to the rapidly unfolding business situation.

The cautious optimism evidenced by bankers at this advanced stage of the business boom implies that the legitimate needs for credit on the part of business, government, and consumers will be met. A healthy and sustained flow of credit into production and consumption is essential to the economic well-being of the country. But cautious optimism also implies that bankers will scrutinize loan applications carefully in order to separate the speculative and overly optimistic ventures from those that are soundly based.

1956 can well be the best year ever for the American economy and the American people, providing that we are successful in treading the narrow ground between inflation and recession without slipping off in either direction. We can succeed if we apply the hardwon lessons of the past and meet new situations with good common sense and ingenuity.

FRANK M. FOLSOM

President, Radio Corporation of America

Business trends and yardsticks across the nation indicate that 1956 will present to most segments of American industry — including radio-television and electronics — one of the greatest quality markets in history as the present excellent state of the national economy advances to new high levels.

Frank M. Folsom

The following significant facts point to an exceptionally bright outlook for the electronics industry, which in 1955 set an all-time record of $11 billion in sales:

(1) Customer preference for quality products is bringing higher-priced items into the position of merchandise leaders, thus adding substantially to dollar volume.

(2) This trend of public preference appears destined to boost color television into the status of a "billion dollar baby" well ahead of expectations. In fact, retail sales of color sets may account for as much as $175 million in the coming year.

(3) Retailers have experienced their biggest Christmas business in history and this heavy buying appears destined to carry over into the first quarter of 1956 to give the year a fast start.

(4) Large-scale orders, already in manufacturers' hands, may be expected to provide a powerful impetus to over-all industrial progress.

(5) New products and production techniques, plus competitive stimulation, will expand old markets and create vast new ones.

(6) Prospects for continued high-level employment and personal income mean increasing purchasing power of consumers to buy better goods and services.

(7) The nation is experiencing an expanding economy stimulating higher standards of living at virtually all levels of the population.

For its part, the Radio Corporation of America welcomes the trend toward higher quality products in all phases of electronics, including radio and television, as the sign of an expanding and more vigorous industry in which RCA proposes to continue in a leading role.

RCA had a splendid business year in 1955, as did thousands of RCA suppliers and the thousands of merchandisers who sell our products across the country and abroad. For the ninth successive year, RCA sales attained a record high, with the total passing the billion-dollar mark for the first time.

Ten years from now, RCA will be doing business at the rate of at least two billion dollars a year.

Faster Growth of Electronics

According to our surveys, the growth of the electronics industry will continue to be more rapid than most other industries. For example, since 1950, the value of the electronics industry has doubled while the Gross National Product has increased by only 35%. By the end of 1964, the value of electronics should be more than triple its 1950 value while the Gross National Product may not have quite doubled.

Many facts lead to our assurance that the growth of electronics will continue to speed ahead in the expanding American business economy. In ten years, our population will have increased by 26 million people. This alone represents a new market equal in size to the present combined markets of Illinois, Indiana, Michigan, Wisconsin and Arkansas.

Virtually all of these people, and the rest of the population too, can be customers for new and improved electronic products. And an even more substantial reason for confidence in the future of this industry is the ability of scientists to find new ways of harnessing the electron to assist in all kinds of jobs now done by other means in other industries.

In the offing is an impressive array of electronic products and services that speak well for the creative faculties of today's scientists and engineers. We have seen their dreams of yesterday become realities, and we believe that tomorrow will bring even greater achievements.

Product Leaders

Outstanding sales volume in 1956 may be expected in such fields as black-and-white and color television receivers, industrial TV, TV transmitting equipment, electron tubes and components, microwave relay systems, military electronic apparatus, radio sets, "Victrola" phonographs and high fidelity instruments, and records. The replacement market also should be particularly good, and service operations, including installation and maintenance of products, should attain record dollar volume.

A trend of major importance that first became discernable only a few years ago continued in the increasing use of new electronic products and services for industrial purposes. The end of 1955 finds sales to industry and government rapidly closing the gap of dollar-volume differential as compared with revenues from communications and home entertainment.

Further acceleration appears assured in 1956 in "electronizing" production techniques, inventory control, food inspection and protection, military equipment, scientific research, biological explorations and other widely separated areas of endeavor.

Closed-circuit television for non-entertainment purposes made impressive headway in 1955, and should expand to an even greater extent during the coming year. It is providing electronic "eyes" to many sections of industry and is proving to be an effective tool in manufacturing, education and medicine.

On the entertainment side, black-and-white television receiver production in 1955 set an all-time record of 8,300,000 units, representing a retail dollar volume of nearly $2 billion. Of this total, the RCA Victor Television Division manufactured and sold more than a million receivers.

Color Television

Not only has RCA paced the field in black-and-white TV, but almost single-handedly we have continued to lead the way in color—which is the brightest hope the industry ever had, the phenomenal progress of black-and-white TV notwithstanding.

Color television is with us as a potential billion dollar baby. As 1955 closed, it was fully apparent that 1956 will be the first big year of color production and sales, pointing to mass output and lower prices.

During the coming year the RCA Victor Television Division will manufacture and our distributors will sell upwards of 200,000 color receivers. Color will be an important part of our sales and profit picture—while we will continue to produce whatever quantity of black-and-white receivers necessary to satisfy public demand.

To give a general idea of our proposed stepped up rate of color TV production, we plan to produce about twice as many color receivers in the first half of 1956 as were produced in the last half of 1955.

Public interest in color is being sparked by heavy increases in color programming schedules—particularly those of the National Broadcasting Company which boosted its Fall schedule five-fold over the previous year. Color entertainment is ample to warrant the volume purchase of color television receivers by the public. We propose to build color TV receivers in volume and to promote volume sales.

Radios, "Victrola" Phonographs and High Fidelity

Continued heavy sales of radios were experienced in 1955 as consumers purchased approximately 13,000,000 receivers, bringing to more than 125,000,000 the number of sets in use.

Introduction by the RCA Victor Radio and "Victrola" Division of an outstanding new line of portables and clock radios, virtually all of them packaged in non-breakable plastic "impact" cases, was responsible for a tremendous increase in RCA radio sales volume.

Another significant factor was the continued boom in high fidelity music reproduction systems. With the industry reaching an estimated $50,000,000 in sales of high fidelity, RCA gained an increasing percentage of the expanding market with the successful merchandising of a complete line of assembled high fidelity instruments ranging in price from $69.95 to $1,600.

Phonograph Records

During the coming year, the record industry will continue advances it has made for the past ten years. Sales should show a marked increase because of the greater acceptance and appreciation on the part of the public for better music, higher quality records and more attractive packaging of records.

Price reductions, inaugurated by RCA Victor at the start of 1955, also are having a striking impact on the industry, justifying our belief that the industry is on the threshold of its greatest period of expansion. These price reductions broadened the base of the industry by making it possible for more people than ever before to buy and to enjoy good records.

Another key factor in the expansion is the rapidly increasing interest of the public in every phase of high fidelity music.

Pacing the growth of the industry, RCA Victor has introduced new merchandising techniques, designed to make records more easily available to all potential customers. These techniques include our Store Modernization Program which encourages dealers to re-style their Layout at a price they can afford; Personal Music Service Plan which assures the dealer of a sale and a profit — even on merchandise temporarily out of stock —by giving the customer direct-from-factory delivery; and the Gift Certificate Program. We have also worked to broaden the market for records by opening up new retail outlets in supermarkets, drug and variety stores, among others.

Government Activities

Government work for the Armed Forces continued to have an important effect on RCA operations with the year-end backlog of government orders standing at approximately $275,000,000. A total of $220,000,000 in government contracts was completed during the year.

The RCA Service Company continued to work with Armed Forces personnel around the world, installing and maintaining electronic equipment produced by RCA for the government. One of the most important such activities is the operation of the electronic apparatus

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American Trade Unionism: Voluntarism Or Coercion?

an illogical ruling, inasmuch as it permits full-time pay for part-time work. Is it logical to permit workers to stall and loaf, commit injurious acts and disrupt production while compelling an employer to pay for services clearly not rendered? Judge Danaher, dissenting, said an employee cannot work and strike at the same time. Yet the ruling fits our curious union ideology of legalized coercion.

Perhaps the greatest source of coercion and violence in our industrial relations is the picket line. The Fifth and Fourteenth Amendments provide that "no person shall . . . be deprived of life, liberty, or property without the due process of law." Time and again, however, non-strikers have been made involuntarily idle by picket lines, usually accompanied by threats of violence or violence itself. In this year's Kohler strike bodily injury was sustained by non-strikers, one of whom later died. In the Perfect Circle situation the National Guard was called into action, after eight persons had been wounded by gunfire. Unions claim that picketing is merely an extension of freedom of expression. To the extent that this argument is valid, only one picket or a few should be needed for the union to express itself. More than this spell strong-arm tactics and intimidation and should be banned, or else our Bill of Rights becomes a mockery.

Unionism and Political Coercion

The final area of coercion I want to treat in this paper is political coercion. Now that the AFL and the CIO are a reunited couple, we wish them a happy and peaceful marriage, impervious to rancor and temptations of power. As an object lesson, the new labor organization might view the fate of its brother organization in Argentina, the General Confederation of Labor. Willfully did organized labor there build up their own political boss. They were his Peronistas, loyal and militant. But they had created a Frankenstein monster who snuffed out their freedom. Now many of the Peronista labor leaders are in jail. Similarly did the British trade unions seek political power in the form of socialism through their own party. Socialism is unlimited state coercion. The British trades unions tried it and failed. No longer are the British trades unions avid on nationalization.

The new American Federation of Labor and Congress of Industrial Organization can be a constructive agency, dedicated to freedom and spiritual and material well-being for the American workers. But if diverted from this purpose, it has all the makings of a powerful political machine—66,000 locals in 150 national unions combined in a super amalgamation. The leaders of the AFL and CIO are economically and politically potent. Yet with power goes responsibility. Which will prevail—responsibility or power, voluntarism or coercion?

Voluntarism or coercion — this is labor's choice. The decision is crucial. If the answer is coercion, Simons' thesis of incompatibility of capitalism and coercive trade unionism may well resolve itself in the disappearance of both.

With Thomson, McKinnon

(Special to The Financial Chronicle)

ATLANTA, Ga. — Clifford Anderson has become associated with Thomson & McKinnon, Healey Building.

Weston Adams Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Frank W. Archer is now connected with Weston W. Adams & Co., 55 Kilby Street, members of the New York and Boston Stock Exchanges. Mr. Archer was previously with Harris, Upham & Co.

Joins First Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard W. Clark is now with First Boston Corporation, 75 Federal Street.

With Coffin & Burr

(Special to The Financial Chronicle)

BOSTON, Mass. — Marjorie G. Clifford has been added to the staff of Coffin & Burr, Incorporated, 60 State Street, members of the Boston Stock Exchange.

With Hamilton Managem't

(Special to The Financial Chronicle)

BOSTON, Mass. — Anthony J. Zachar is with Hamilton Management Corporation, 127 Fremont Street.

A. E. Aub Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — A. Edgar Aub, Jr. is now with A. E. Aub & Co., Fifth Third Bank Building.

With Benj. Bartlett

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Bruce R. Davies has become affiliated with Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges.

William T. Robbins With L. B. Schwinn & Co.

(Special to The Financial Chronicle)

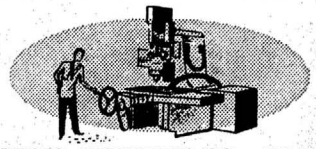
CLEVELAND, Ohio—William T. Robbins has become associated with L. B. Schwinn & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Robbins has recently been with Saunders, Stiver & Co. In the past he conducted his own investment business in Cleveland.

Presenting the PENN-TEXAS family

Through the consolidation of various important industrial enterprises and their subsequent prudent management, the Penn-Texas family has achieved national importance. Assets have risen from less than $5,000,000 in 1950 to more than $108,000,000 today. Sales, which were only $6,000,000 in 1950, are now at the rate of $125,000,000 per annum.

Vigorous policies have enabled the various Penn-Texas units to draw new strength from each other. Growth meanwhile has been well planned, with the result that the multiple activities of the organization supplement and balance each other. This has brought multiple benefits to employees, to communities and to the shareholders.

here is the PENN-TEXAS family . . .



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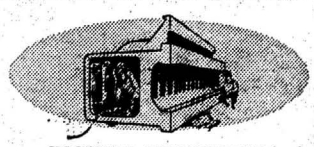
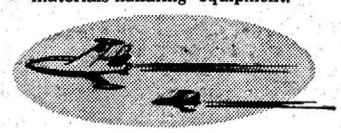
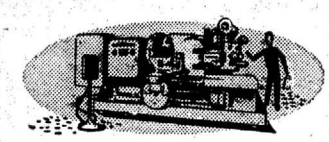


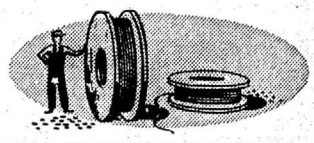
ELYRIA FOUNDRY:
A gray iron foundry which produces heavy castings for industry.



CHANDLER-EVANS DIVISION:
Manufacturer of component parts for jet aircraft.



POTTER & JOHNSTON CO.:
Manufacturer of automatic turret lathes.



THE CRESCENT CO. INC.:
Manufacturer of insulated wire and cable for the automotive and electronics industries.

"QUICK-WAY" TRUCK SHOVEL COMPANY:
Manufacturer of truck-mounted power shovels for road building, etc. First in its field, and a leader for more than 20 years.

COLT'S PATENT FIREARMS MANUFACTURING CO.:
Famous producer of Colt's revolvers.

BAYWAY TERMINAL DIVISION:
Operates important facilities in the Port of New York.

TEX-PENN OIL AND GAS CORPORATION:
Owns 109 producing oil and gas wells in six Texas counties.

SAXON, SEABORNE & SEASPLENDOR STEAMSHIP CORPORATIONS:
Owners and operators of inter-continental merchant ships.

PENNSYLVANIA COAL & COKE :
Operator of bituminous coal mines in Pennsylvania.

Further information about the Penn-Texas family of companies may be obtained by writing to the company Secretary.

111 Broadway, New York 6, N.Y.

Penn-Texas CORPORATION

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used at the Air Force's Guided Missile Test Center at Patrick Air Force Base, Florida.

International Trade

RCA's outlook in foreign markets continues bright after an excellent year of sales. The coming 12 months should witness a further impressive increase in business, particularly in Latin America, Canada, the Middle East and the Far East.

Sales included virtually all phases of communications, with an increasing accent on television and microwave systems. Radar sales also were stepped up, and radio sets, "Victrola" phonographs and records moved ahead satisfactorily. Mounting activities were reported by RCA associated companies in 13 countries.

ALBERT E. FORSTER

President, Hercules Powder Company

The production of chemicals and allied products is expected to reach another all-time high in 1956 for the fifth successive year. During the current year the increase should amount to about 4%, compared with a gain of 13% in 1955.

A. E. Forster

We at Hercules Powder Company have just completed a banner year in which sales were more than 20% above the level of 1954. While our sales are again likely to reach record levels in 1956, the increase probably will not exceed 5% over 1955. The gain will reflect in some measure expanded capacities in both new and old products.

U. S. industrial production has moved up in virtually a straight line since the fourth quarter of 1954. The probabilities are that industrial production will remain fairly stable in 1956 at about the level of the fourth quarter of 1955. Such a sidewise movement in industrial production should provide an average level for 1956 about 3% above the 1955 average. A rise of this extent would almost equal the past long-term average annual rate of growth of U. S. industrial production. During times of peace, we cannot expect the large gain in industrial production of 1955 to be duplicated except during the first year of revival from a recession.

Capital expenditures of industry probably will show an increase of more than 10% in 1956. This favorable trend reflects the continued confidence of businessmen in the future. The expected increase in capital expenditures and gains in other lines evidently will more than offset the anticipated decline in automobile production and residential construction.

The 1956 outlook for industries that are served directly or indirectly by Hercules is mixed. The expected drop in automobile production was mentioned above. We supply materials for lacquers and for other automotive finishes. Certain branches of the textile industry also may decline in 1956. However, other industrial outlets for our products such as furniture, paper, major household appliances, synthetic rubber, petroleum, bituminous coal, metal mining, quarrying, cement, and road building are expected to record an increase in activity in the current year.

In spite of the recent gains in corporate inventories, they still are low in terms of sales and the level of consumption. While installment credit has been rising rapidly, expansion in this type of credit in 1956 is expected to be well below the gain of 1955. Businessmen are approaching 1956 realistically and with some degree of caution. This should tend to limit the creation of marked excesses that would call for a later business correction.

CLYDE T. FOSTER

President, The Standard Oil Company (Ohio)

Strong consumer demand for petroleum products in the United States carried the American oil industry to record breaking operations in 1955. Demand for the first time exceeded three billion barrels and the gain recorded over the previous year was 7%. This impressive gain, which alleviated the over-supply condition existing in the two previous years, was due principally to the general acceleration of business in 1955 and the record personal income of American consumers. Only a minor gain was recorded in 1954. The average growth of demand in the past two years approximates the historical annual growth since the end of World War II. It is expected that the gain in the year ahead will be close to this average.

Clyde T. Foster

Motor gasoline demand increased 7% in 1955, resulting from a 5% net increase in vehicle registrations to 61 million vehicles and an increase in the use of these vehicles during the year. Light fuel oils gained 7%, responding to higher industrial activity and continued growth in oil burners in use. Liquefied petroleum gas (LPG) continued to be one of the fastest growing products with a gain of 18% in 1955. The increased building of highways caused asphalt demand to gain 12%.

U. S. production of petroleum and natural gas was at an all-time peak with gains of 7% for petroleum and 8% for gas. More wells were completed than ever before as total completions increased 7% to 57,600 wells for the year. It is interesting to note that natural gas well completions were down 9%, the first time in recent years that this number has declined. It seems quite possible that this decline is the direct result of industry concern over the attempts to make gas producers public utilities. It is important that this figure be watched closely as increased gas supply can only result from increased drilling of new wells.

The oil industry invested about $5 billion in new capital facilities during 1955, or 4% more than the preceding year. During the year ahead over $5.3 billion is expected to be spent. Over half of these expenditures are investments in production operations to discover and develop the increasing requirement of crude oil. During 1955, 14% of the expenditure was for additional refining facilities. Most of this money was spent on facilities to improve the quality and yield of petroleum products which is increasingly important to consumers.

World-wide petroleum operations held increased interest and concern. World production for the first time exceeded five billion barrels with the U. S. supplying 45% of the world's oil. This is the third straight year that domestic production has been less than production in the rest of the world. World demand for petroleum products has increased at a more rapid rate than in the United States and Europe's increased demand has stimulated the search for oil on the European continent. Full scale operations were resumed in Iran by an international consortium of oil companies as this important oil nation once more provided its oil for the free world.

Much concern was expressed in some quarters about oil imports during 1955. Oil companies are attempting to maintain imports at reasonable levels and at the same time satisfy the growing demand for petroleum both at home and abroad. Nearly one-third of the increased imports of crude oil in 1955 are attributable to increased movements of Canadian crude oil into the Pacific Northwest resulting from the competion of a pipeline for this movement late in 1954.

PETER MacGREGOR FRASER

Chairman, The Connecticut Mutual Life Insurance Co.

Continuation of general prosperity seems certain to couple with accelerating population growth and increasing security-consciousness to make 1956 another record year for the life insurance business.

P. MacGregor Fraser

From the sales viewpoint, 1956 appears particularly promising. More people will have more money than ever before. And they will put more of it into life insurance. Last year a record $47½ billion in new life insurance was purchased in the United States. A $57 billion year is not unlikely in 1956.

The tremendous growth of pension plans and expansion of social security have made earlier retirement a very real and practical prospect for millions of people. With greater incomes, most will see the value of earmarking a larger percentage of their budgets for personal life insurance with one eye to guaranteeing their families' financial security, and the other looking to a more adequate retirement income. As a result, we will find people buying larger policies, and more of them.

During 1955 sales of ordinary life insurance totaled nearly $31 billion, while sales of industrial insurance (small policies paid for on a weekly or monthly premium basis) amounted to a comparatively small $6.6 billion. Unquestionably this gap will continue to widen, as people tend to think of life insurance more in terms of a long-term program of security and savings, rather than solely as means of meeting the immediate financial crisis provoked by death of the head of the family.

Another factor in the growth of life insurance is recognition by the companies of the need for better merchandising and better selling methods. New plans, adaptable to all modern situations, will be brought out. These new policies will be offered by a larger sales force, skilled through continuous training to handle the increasingly complex life insurance problems of their clients.

Beside experiencing new peaks in their sales volume, life insurance companies will play an increasingly significant role of promoting the nation's economic growth through broadening investment operations. Last year life insurance companies invested or reinvested $19 billion, $1¼ billion over 1954. An even greater increase is indicated for 1956, with the major portion of invested funds going into mortgages and corporate bonds. An estimated weekly flow of $385 million from life insurance companies into the money market is bound to have an important impact on the economy.

At the end of 1955, total assets of America's life insurance companies approached the $91 billion mark, with corporate bonds accounting for 40% of the total, and mortgages 32%. This compares with 22.5% and 14.8%, respectively, only 10 years ago. In the same period, holdings of U. S. Government securities declined from 46% to 10% of total invested assets. The unprecedented housing activity, tremendous industrial expansion and development of thousands of new products during the past few years have been major factors in this changing pattern of insurance company investments. No important shift in this trend is on the immediate horizon.

The average net rate of insurance investment earnings has been climbing slowly, from a low of 2.88% in 1947 to about 3.55% before taxes last year. Although in the absence of a clear-cut Federal tax policy toward insurance companies' earnings the outlook for 1956 is uncertain, no significant reversal of the trend is anticipated. Indications are that expansion of production facilities, stepped-up industrial research, the housing industry, and large governmental and municipal construction programs, will all continue to make heavy demands on the supply of capital during the year, tending to keep the higher interest rates firm.

DONALD V. FRASER

President, Missouri-Kansas-Texas Railroad Co.

Gross revenues of the Missouri-Kansas-Texas Lines for 1955 will show a slight gain over 1954, but net income will be lower for two reasons. Net income in 1954 was credited with an income tax adjustment of approximately $675,000 which did not recur in 1955 and maintenance expenditures were stepped up during the last six months of 1955 to pick up repairs curtailed in the previous 12 months because of depressed earnings. Progressively increased wages in 1955 were also a factor.

D. V. Fraser

Freight traffic on the M-K-T has been at a slightly higher level during 1955 than in 1954, but the increase throughout the current year was lower than the average for the nation because of the effects of the persistent drought in much of the territory served by the railroad, as well as the substantial decrease in tonnage originating in war defense plants served by the Katy. The difference between a good crop year and a bad one reflects itself materially in the Katy's freight volume and to the extent of several million dollars in gross revenues.

I anticipate that the general improvement of gross business experienced by the M-K-T during the last half of 1955 will continue during 1956. Several strong possibilities could further benefit revenues, including improved moisture conditions throughout agricultural areas, the effect of a general freight rate increase which might be granted the nation's railroads, and the ultimate movement of the substantial volume of grain and cotton held under government loan which remains in storage along the railroad.

A higher level of wages for railroad labor must be absorbed in any estimates for the new year.

During 1955 the Katy acquired more than $6,000,000 of new rolling stock, principally freight car equipment but also four new diesel locomotive units and six passenger coach cars. On order for delivery during 1956 is additional freight equipment costing approximately $5,000,000 and mechanized track maintenance equipment costing $500,000.

Our piggy-back operations, inaugurated in 1954, were extended to other large sectors of our system in 1955 and are enjoying a satisfactory rate of growth and progress. Additional emphasis will be given to this new phase of operations during the coming year.

Industrial developement along our lines has progressed during the year and further encouraging growth is in prospect for 1956.

I am optimistic regarding the general business outlook for both the year ahead and the more distant future. The prospect of continued expansion of industry in the Southwest augurs well for the future of the Katy Railroad.

C. KENNETH FULLER

President, County Bank & Trust Company, Paterson, N. J.

Most segments of industry and trade in the southern Passaic and Bergen County area enjoyed a satisfactory year of operations in 1955. In view of the rather broad diversification of our industrial activity, the results could not have been otherwise in the face of the high volume of activity and profitable operations in the national economy as a whole.

C. Kenneth Fuller

Such results provide an environment of unusual optimism for the coming year, especially for the first six months, and our contacts with top management of our leading companies reveals an almost universal prediction of good volume of business and profits in spite of keen competition. Moreover, there are few times when statistics and the forecasting indices are so uniformly favorable as at present.

More specifically as to our local situation, the textile industry, except for woolens, has enjoyed increased volume and moderate profits, although competition has been keen and profit margins low. They anticipate a good volume of business for the next several months, however, and hope for somewhat better margins. The closely allied needle trades are active and optimistic for 1956.

The machine tool industry, which is now a very important factor in the area, had a year of high volume and good profits, with a backlog of orders ranging anywhere from six months to over a year.

The construction industry has been active, but there is some indication of a slowing down in both residential and other building over the past several months, with a lower backlog of new volume than existed six months

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NAIC Elects R. E. Clark And Joseph E. Welch

Robert E. Clark, Executive Vice-President of Calvin Bullock, Ltd., New York, has been elected Chairman of the Executive and Administrative Committees of the National Association of Investment Companies, according to an Association announcement. The Association also reported that Joseph E. Welch, Executive Vice-President of Wellington Fund, Inc., Philadelphia, has been elected Chairman of the Association's Public Information Committee.

Robert E. Clark Joseph E. Welch

Mr. Clark has been associated with Calvin Bullock since 1929 and is a Vice-President of Dividend Shares, Inc. and a director of Carriers and General Corp. He formerly held the Association post now occupied by Mr. Welch. A graduate of Williams College, Mr. Clark was born in Springfield, Mass. and is a resident of Bronxville, N. Y.

Mr. Welch is Executive Vice-President of Wellington Company and Wellington Fund. He attended the University of Pennsylvania and has been associated with the Wellington Fund since 1937. For 13 years prior to that he was associated with New York Stock Exchange firms and with the Federal Reserve Bank of Philadelphia. A native of Philadelphia, he resides in Glenside, Pa.

The National Association of Investment Companies represents 125 open-end investment companies and 27 closed-end investment companies with combined total assets of more than $9 billion and more than two million shareholder accounts.

New Firm Name Now Boyd, Watterson

CLEVELAND, Ohio — Boyd & Company, investment counselors, located at 1700 Union Commerce Building, announce a change in the name of the partnership to Boyd, Watterson & Co. effective Jan. 1, 1956. Partners are Robert M. Boyd and David G. Watterson. The firm has been engaged in the practice of investment counsel and estate management in Cleveland since 1928.

Mr. Watterson has been associated with the organization for 20 years and has been a partner since 1937. He has been active in the security analyst movement, having served as President of the Cleveland Society of Security Analysts and as a Vice-President and director of the National Federation of Financial Analyst Societies. He is a graduate of Western Reserve University and of the Harvard Graduate School of Business Administration.

Mid Continent Secs. Corp.

ST. LOUIS, Mo.—Mid Continent Securities Corporation is engaging in a securities business from offices at 3520 Hampton Avenue and 915 Olive Street. Thomas F. X. Gibbons and William M. Gallen, Jr. are associated with the firm.

Debentures of Banks For Cooperatives To Be Offered

The 13 Banks for Cooperatives are making arrangements for a public issue of $40,000,000 7-month consolidated collateral trust debentures, the Cooperative Bank Service of the Farm Credit Administration announced. This will be the third issue of the consolidated debentures. Proceeds will be used primarily to redeem $40,000,000 of 1.90% consolidated debentures maturing Feb. 1, 1956, which were issued Feb. 1, 1955.

The debentures will be offered at par. Interest rate will be announced on or about Jan. 24.

The new issue will be offered through John T. Knox, 130 William St., New York City, the fiscal agent for the banks, with the assistance of a nationwide group of security dealers.

The Banks for Cooperatives make loans to farmers' marketing, purchasing, and business cooperatives. They are incorporated under the Farm Credit Act of 1933 and operate under the supervision of the Farm Credit Administration. The debentures are the secured joint and several obligations of the 13 banks. They are not Government obligations and are not guaranteed by the Government.

H. W. Lara Opens

ROCHESTER, N. Y.—Harold W. Lara is engaging in a securities business from offices at 241 Sanford Street.

Municipal Bond Women Educational Meeting

The Municipal Bond Women's Club of New York will hold its next educational meeting on Jan. 19. The meeting will feature two motion pictures showing phases of industry and life in Puerto Rico, entitled "Building With Rain" and "Sports Island." A representative of Puerto Rico, will give an introductory talk and conduct the question and answer period.

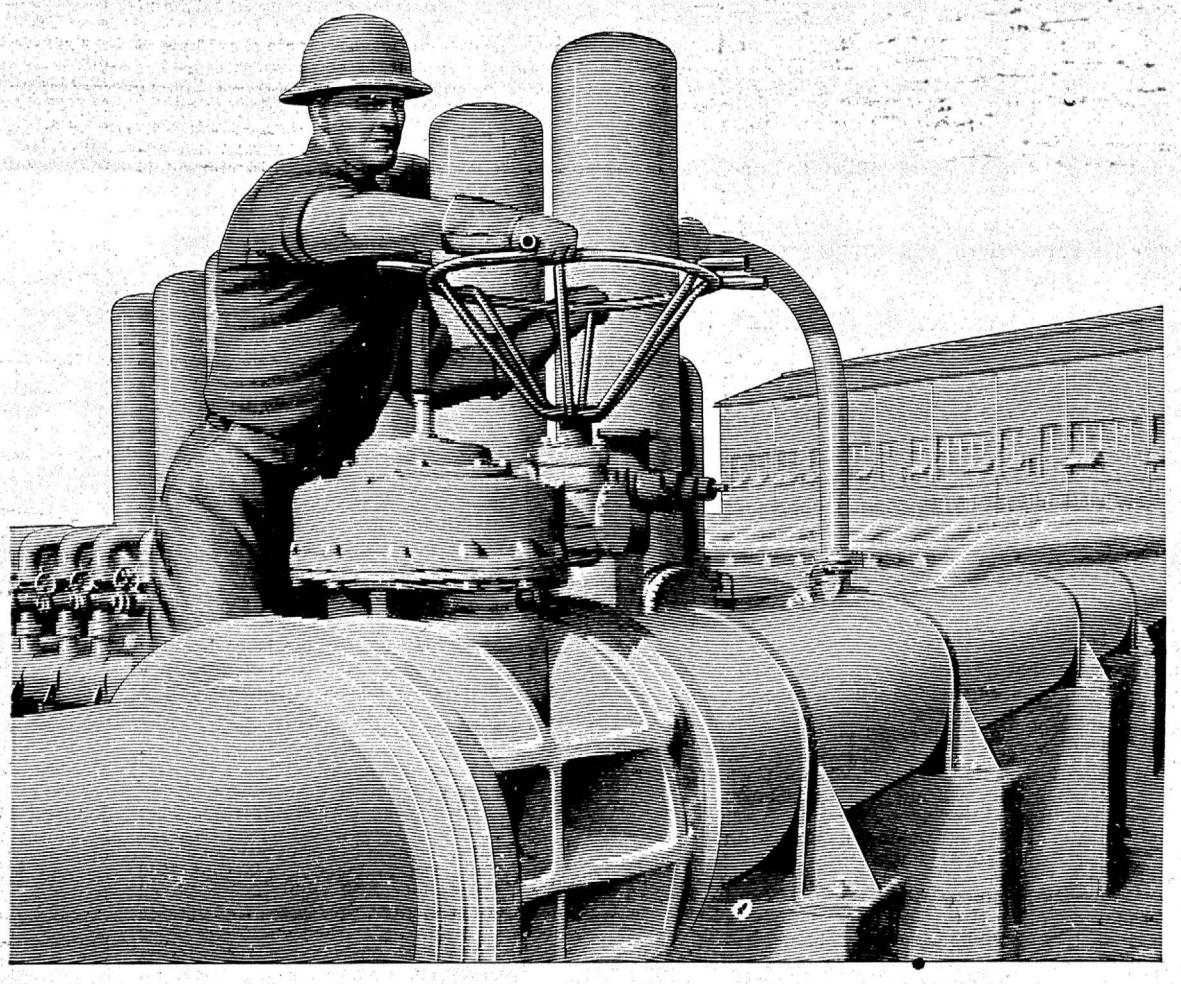
Guests are invited to the meeting, which will be held in Room 1703, 15 Broad Street, New York, N. Y., at 5:30 p.m.

Mid America Secs. of Ogden

OGDEN, Utah — Mid America Securities Inc. of Ogden is engaging in a securities business from offices at 359 Twenty-fourth Street. Officers are Clifford W. Butler, President; Lester Rose, Vice-President; and Max T. Cornwell, Secretary-Treasurer.

Form Orbit Securities

Orbit Securities Corp. has been formed with offices at 120 Wall Street, New York City to engage in a securities busineses. Officers are C. A. Goldschmidt, President; Jack Alexander, Vice-President; and Alfred A. Adrian, Secretary-Treasurer.



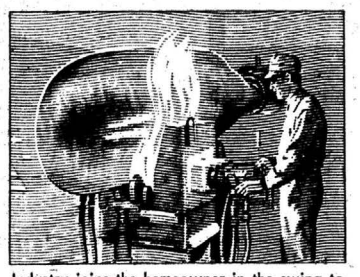
TURN UP THE HEAT...
more gas is on the way

1.7 BILLION cubic feet of natural gas!

That's what Tennessee Gas pipes daily to Eastern homes and industries. And still they call for more.
To meet that steadily increasing demand, we recently completed a thousand mile loop linking the New York City area to our expanding 9000 mile system.

Huge underground storage fields close to consuming markets further assure dependable supply during peak winter demand.
In the gas-producing Southwest a reserve of 12 trillion cubic feet! And new reserves added each year.

More heat, America? Turn it up. Tennessee Gas can deliver.



Industry joins the homeowner in the swing to natural gas. More and more processes that require precise, easily controlled heat find the answer in this superior fuel.

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TRANSMISSION COMPANY
AMERICA'S LEADING TRANSPORTER OF NATURAL GAS
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ago. Nevertheless, the rapid population growth of the surrounding area and plans for capital expansion indicate a favorable long range outlook.

Representatives of the rubber industry are operating at a high volume with good profits and anticipate further improvement over the next six months. There is some indication that inventory is rising, however, in spite of the increased sales.

The chemical industry, which in our area is tied closely with textiles, experienced a good year and predicts substantial improvement in '56.

Retailers and distributors report an excellent year, with volume 2 to 7% above 1954. As in most cases, however, it has cost more to acquire the business so that profits have not increased at the same degree as volume of sales. The outlook for 1956 is promising, with good volume of sales, except perhaps for automobiles.

With such conditions prevailing in industry and trade, the banks enjoyed a good year. Demand deposits increased only nominally, although velocity, reflected in clearings, increased steadily throughout the year. Operating profits were higher, resulting from both the sharply increased volume of loans, including consumer credit, and higher interest rates.

In summary, the outlook is favorable to the continuation of a high volume of business, high employment, increased wages, and good retail trade. It is doubtful that demand deposits will increase greatly, although there is some evidence that the rate of savings may be increased somewhat over the next six months.

In spite of all these favorable factors in the local and the national economy and the bold forecasts of increases in gross national product to $405-$410 billion, there are weak spots which can and ultimately will cause a leveling off in the boom somewhere along the way. The most important of these factors are the farm price situation—the possible decline in residential construction—the oversold durable consumer goods market (especially automobiles) arising primarily from the high pressure selling tactics made possible through television, radio, and too easy financing—the unsettled political outlook—and last but not least the tight monetary policy of the Federal Reserve Bank. These add up to a rather heavy list, although strangely enough, none of them, except possibly the farm situation, are reflected importantly in the statistics.

It may be, therefore, that we are approaching a period when there will be a cyclical change in the economic weather. At such times it behooves us all to operate with a little more caution and watch our weather charts a little more closely. In other words, even though the outlook is highly favorable, I doubt that the millennium has arrived or that it is time to turn the storm cellar into a playroom.

ROY FRUEHAUF

President, Fruehauf Trailer Company

The coming year of 1956 will be the greatest year in motor transport's history — and, incidentally, the greatest year in Fruehauf Trailer Company's 42 years of truck-trailer building. With Congress about to adopt a tremendous national highway building program . . . with trucking assuming an even greater importance in the American economy, with piggyback (the loading of truck-trailers aboard railroad flat cars) and fishyback (the loading of truck-trailers aboard steamships) just beginning to come into their own . . . the road ahead is bright and shining. In 1955 Fruehauf sales totaled approximately 235 million dollars. In 1956 we expect to do 350 million dollars in sales. And for 1957 we look forward to an annual sales volume of half a billion dollars.

Roy Fruehauf

PAUL V. GALVIN

President, Motorola Inc.

Nineteen Fifty-five was a record breaking sales year for Motorola and another good year in 1956 is anticipated. Early in 1955 the company set itself a target of $225 million in sales and it now appears that final figures will show this to be exceeded somewhat.

For the whole electronics industry 1955 was a boom year, and electronics is a good barometer of the economy in general. Electronic applications are now involved in all areas from the factory to the farm, from the military to public welfare and education.

Paul V. Galvin

During the year, between 7,500,000 and 8,000,000 TV sets were sold along with more than 13,000,000 home and car radios.

Color TV continued its gradual evolutionary growth through the year and more progress is ahead for the rainbow media. Motorola has been selling a few sets every day on demand and is attempting to boost industry color sales by encouraging color programming as one sponsor of the daily, hour-long dramatic colorcast "Matinee."

In addition to the good sales record made by electronics in 1955, the year was also distinguished by a number of technological advances in the field.

Progress was made involving transistors, and Motorola itself broke through the "frequency barrier" with its new high-frequency transistor. These tiny components will certainly have a very big effect for good in the future of the industry.

The year saw the extended usage of plater circuitry in various applications, and many new devices appeared for the mechanization of fabricating processes.

As for next year, there should be further expansion of research, development and manufacturing facilities in the electronics industry. This construction should contribute substantially to the total economy.

On specific electronic products, 1956 should see at least 6 million black and white television sets sold—somewhat fewer than this year.

Color TV should continue its orderly growth during the new year, and 50,000 sets should be sold in the product year of summer '55 to summer '56. In the product year of summer '56 to summer '57 we may see sales of about 300,000 sets, with the one million per year rate of sales being reached in the year beginning with the summer of 1957.

There should be a gradual lowering of color TV prices during this period of increased production and engineering advances. In 1956 prices might be in the $695-$895 bracket; $595-$795 in the 1957 product year and the color TV price could reach $500 sometime in 1958.

Car radio and home radio should sell well in 1956 and about parallel the sales record of '55.

Commercial and industrial two-way radio should move ahead moderately in the year to come and we expect microwave relay to grow significantly.

Military electronic sales are expected to decline somewhat.

All in all, 1956, should be a good year for the electranics industry. What with the interest in communications generated by the national political conventions, public interest in and acceptance of our products should be at an all-time high.

EARL A. GARBER

President and General Manager, Harbison-Walker Refractories Company

Without the possibility of economically using substitutes, refractories are used either directly or otherwise in some phase of the manufacture of almost everything common to our everyday needs. While iron and steel, along with allied industries including by-product coke, represent the largest consumers of refractories, a considerable portion of Harbison-Walker products are used in widely diversified industries. These include all the nonferrous metals, such as aluminum, nickel, copper and others as well as portland cement, glass, steam power generation and numerous others of major importance.

Earl A. Garber

As indicated by the large backlog of orders and the current great demand for steel, the production record of the past year is expected to be surpassed in 1956. The expansion of established mills and the construction of new ones continue unabated.

Consumer requirements for nonferrous metals at home and abroad are increasing at an accelerated rate. This great demand growth sounds another optimistic note for the refractories industry, through the present year.

Predictions for chemicals, in general, are that 1956 should be at least as good as 1955 with the likelihood that this year may be even better. The forecast of greater demands for portland cement, glass and numerous other essentials add to the bright outlook for refractories. Large expenditures are scheduled for urgently needed new plants by utilities. Emergency plans involve an outlay of billions for defense.

The manufacture of refractories has kept pace with the tremendous industrial progress in scientific developments. Rapid evolutionary changes in conventional processes and in many cases, the employment of entirely new processes have created the need for types and classes of refractories which previously had not been commercially available. Research and close quality control have become of the utmost importance.

In the most recent years, Harbison-Walker has inceased capital expenditure at an accelerated rate by many millions for the construction of new plants, modernization, mineral resource developments and additional research facilities.

With an appreciable backlog of orders and taking into consideration the broad scope of optimistic predictions, it is reasonable to look forward to a banner year in the refractories industry.

W. W. GASSER

Chairman, Gary National Bank, Gary, Ind.

None of us can see down the economic road with too much certainty. The general impression is that 1956 will be as good or a little better than 1955. Generally speaking, I agree with that, subject to a few "ifs."

There are two forces operating on our economy in opposite directions. One force is pulling our economy upward and the other force tendency is downward. On the upward force there are the present artificial positions of almost every segment of our economy. Inventories are high, credits are highest in history, deficits in local, state and Federal Governments, the trend toward higher wages, all are pulling in the direction of inflation.

On the opposite force there are the bad farm problems, the high tax structure, the uncertainty of political elections, the high interest rates, and many others.

I think this is a year when businessmen should watch credits very closely, and bankers should screen their loans very, very carefully.

In general, I look for the economy to slightly favor very gradual inflation unless some unforeseen condition suddenly arises.

GEORGE E. GARDNER

President, Northeast Airlines

Air travelers will be showered with new attention and services by the nation's airlines in 1956, as a result of recent Civil Aeronautics Board decisions in three major route cases. The decisions have created new airline competition over most of the nation's heaviest traveled routes, and this is certain to result in increased airline service to the benefit of passengers.

George E. Gardner

Service to the passenger will mark the industry's efforts in the new year. Traffic will continue to grow, but new airline services will be available to passengers over many of the nation's heaviest traveled routes. A shortage of flying equipment and inadequate airport facilities in some places will limit air travel growth to a degree.

Air travel in 1955 increased by about 19% over the previous year. It is unlikely that a similar rate of growth can be continued in 1956, with present available equipment and airport facilities. But except for these two present obstacles, there is nothing but the brightest future ahead for the air transportation industry in the coming months.

Northeast Airlines in the past year registered gains in almost every phase of the airline's operation. Passengers carried set an all-time high, numbering about 580,000. This marked an 11% increase over 1954, and the second year in Northeast's 22-year history that passengers carried exceeded the half-million mark.

Ton miles of air express carried by Northeast in 1955 were 10% ahead of the previous year, and freight was up 18%. Passenger miles flown by Northeast amounted to an estimated 116,000,000, up 11% over 1954.

These improvements in our everyday business permitted the reduction in Federal subsidy paid to Northeast by $260,000, a 14% reduction from last year. Progress was made on Northeast's application to extend its routes to Middle Atlantic and Florida cities. The application is included in the CAB's New York-Florida route proceeding.

Public hearings in the proceeding were held before Examiner Thomas L. Wrenn during the summer, and in December counsel for the Bureau of Air Operations of the CAB recommended that Northeast be authorized to operate to Miami by way of Philadelphia, Baltimore, Washington, Jacksonville and Tampa.

Another most significant event in 1955 for Northeast was the placement of the largest new aircraft order in the history of the company. Northeast ordered 10 Douglas DC-6B airplanes at a total cost, with spare parts, of $14,000,000.

First of these new aircraft is scheduled for delivery in January, 1957. They are for service over the company's present routes in New England, New York City and Montreal, and for inaugurating service to Middle Atlantic and Florida cities should extension of Northeast's routes be authorized.

Northeast conducted tentative negotiations for the purchase of jet airplanes in January of 1955, and liaison between Douglas and Boeing plants on the West Coast and Northeast was continued through the year.

The growing volume of air traffic, great as it is, does not offer immediate hope for reducing the cost of air travel, mainly because mounting expense in providing air service has made it inadvisable. But at present rates, air travel is one of the lowest cost commodities in the American economy when compared to 1940 prices.

FREDERICK V. GEIER

President, The Cincinnati Milling Machine Co.

The machine tool industry enters 1956 with a clear track ahead.

Just when the overall economy experienced the 1954-55 soft spot, machine tool builders were faced with the always-difficult transition from war emergency peak output to ordinary peace-time volume. Along with this came the extensive changeover to new design machines in the effort to stimulate machine tool buying. The new models and new methods unveiled at the Machine Tool Show last September revealed a decided advance in productivity and automatic operation. Thus, the industry completed the transition to peace-time business with new product that definitely challenges replacement of many of the obsolescent machine tools in use today.

Frederick V. Geier

Coinciding with the current wave of plant expansion in the automotive and related fields, the impact of the new design machine tools was timely and effective in lifting orders to higher levels. Several surveys of capital expenditure expectations for 1956 pointed to more active plant expansion programs. In fact, the sharply-increased machine tool orders booked in the final months of 1955 show the

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Holbrook Director of First Boston Corp.

The election of Luther G. Holbrook to the board of directors of The First Boston Corporation, 100 Broadway, New York City has been announced by George D. Woods, Chairman of the Board. Mr. Holbrook, Assistant Vice-President of T. Mellon and Sons, Pittsburgh, succeeds Arthur B. Van Buskirk, Vice-President of that organization, whose resignation from the First Boston board was necessitated by this appointment by the Federal Reserve Board as a director and deputy Chairman of the Federal Reserve Bank of Cleveland. Mr. Holbrook is also a director of General Reinsurance Corporation.

Luther G. Holbrook

Phila. Secs. Ass'n Elects New Officers

PHILADELPHIA, Pa.—Francis M. Brooke, Jr., partner of Brooke & Co., has been elected President of the Philadelphia Securities Association to serve for the ensuing year. Mr. Brooke succeeds Robert E. Daffron, Jr., partner of Harrison & Co., whose term expired. The annual meeting and election of the Association was held Friday evening at the Warwick Hotel.

F. M. Brooke, Jr.

Other officers elected were: Lewis P. Jacoby, Vice-President of Thayer, Baker & Co., Vice-President; Spencer D. Wright, III, partner of Wright, Wood & Co., Treasurer; and Orrin V. Boop, partner of Schmidt, Poole, Roberts & Parke, Secretary.

The following were elected to the Board of Governors to serve for three years: Albert A. R. Wenzel of Hornblower & Weeks; DeLong H. Monahan, Financial Vice-President of the Provident Mutual Life Insurance Company; Walter W. Buckley, partner of Walston & Co.; and Leighton H. McIllvaine, Manager of the Municipal Department of Goldman, Sachs & Co.

Vickers Bros. Admit Christy & Normann

William J. Christy and Conrad N. Normann have been admitted as partners of Vickers Brothers, 52 Wall Street, New York City. Mr. Christy formerly was sales manager of the firm and Mr. Normann formerly was syndicate manager of McDowell Diamond & Co. of Providence, R. I.

Form NY & American Secs.

New York & American Securities Company has been formed with offices at 90 Wall Street, New York City to engage in a securities business. J. Merrill Lamb is a principal of the firm.

Now R. Reynolds & Co.

SALT LAKE CITY—The firm name of Reynolds-Raynolds Co., Judge Building, has been changed to R. Reynolds & Company. Ruth L. Reynolds is a principal of the firm.

Steel Demand Seen Unaffected in Event of Automobile Cutback

Auto production cutbacks are having little immediate effect on demand for steel. Even if the decline is anything more than a flash-in-the-pan, it's not likely to show up in steel until March—if then, according to "The Iron Age," national metalworking weekly.

What's happening is this: there have been some cancellations of steel orders by some car producers —to apply on deliveries scheduled for March. But these cancellations have been less than the cutbacks in car production in terms of tonnage.

Reason for this is that (1) the auto companies are using this breather to rebuild their inventories, and (2) some of them are arranging to divert tonnages to non-auto subsidiaries, such as appliances.

Net result is that other hopeful steel users are bruising their knuckles in vain as they rush the mills to demand tonnages the auto companies don't want. They're finding that Detroit is letting loose of very little.

There will be no significant easing in the steel market picture before mid-year. With the general business outlook still on the rosy side, no steel consumer in his right mind is going to turn down an opportunity to add to his stockpile.

Overlooked in the excitement over the news from Detroit is the fact that mill backlogs are running to four months and incoming business is matching production. Allocations are still the rule—not the exception.

The uncertain steel labor outlook and the certainty of a steel price increase after the labor settlement—with or without a strike —also will affect the buying policies of consumers. Steel will be money in the bank until labor negotiations are out of the way.

Despite the increase in steel capacity, the competition among mill product managers for a share of available ingots is terrific. Plates and structurals are the hottest items. The ten-day shutdown of a large plate rolling mill due to a motor failure compounded the hysterical plate market. Hot and cold-rolled sheets, bars, and wire also continue in strong demand. Premium prices are still being paid by some consumers for plates and sheets, although conversion deals are not being pressed as urgently as before.

Based on the industry's new capacity of 128.4 million ingot tons, steel operations this week are scheduled at 98.5% of capacity, compared with 97% last week.

Shelley Roberts Branch

SAN FRANCISCO, Calif.—Shelley, Roberts & Co. have opened a branch office in the Russ Building under the direction of Billy Boyle.

...a new chemical HORIZON

NITROPARAFFINS—a group of broadly useful chemicals, are now in full commercial production by Commercial Solvents Corporation. This new chemical family, the result of years of study and investigation, promises to create entirely new chemical horizons.

Future possibilities can be foreseen by current successful applications. A recent symposium conducted by Commercial Solvents revealed these striking uses:

- Superior emulsifier for cosmetics
- Ingredient for longer-lasting, shinier floor waxes
- Plasticizers that resist alkali corrosion
- Additive for brighter, faster dyes for synthetic fibers
- Fuels needing no oxygen for combustion
- Essential reaction-stopper in producing synthetic rubber

Experienced technical assistance is available to show you how the nitroparaffins and their versatile derivatives can be used to improve your present products or to create new products. For information or samples, call or write our local sales office.

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buying for these programs is well advanced, as it must be if deliveries are required in 1956.

Machine tool firms with many new things to offer will attract a favorable share of 1956 orders, but their operating earnings will have to carry the initially heavier costs of new tooling and production of new design product. Orders can hardly be expected to hold the high levels of late 1955 when Government purchases of a long-pending volume of special aircraft machinery for 1957-58 deliveries coincided with concentrated buying for immediate automotive plant expansions. Current backlogs indicate that many firms will operate at their best peace-time levels with earnings reflecting improved volume but also the disproportion of new design machines going into production at initially abnormal costs.

As a result of rising costs of materials and payrolls, and of accelerated taxes and renegotiation, machine tool firms have been shy of working capital and have lacked finances to replace obsolescent plant equipment to the extent desirable. This condition needs to be improved to put the industry in healthy financial position to carry the research and technical advance essential to its role as the cutting edge of American industrial progress.

LORING L. GELBACH

President, Central National Bank of Cleveland, Ohio

The year just closed has been the most prosperous peacetime year in the history of our country.

With industrial production, construction, personal incomes, employment and retail sales at record highs, the services of the banks were in increasing demand throughout the period. It was an excellent year for the banking industry.

Loring L. Gelbach

From the standpoint of banking, the greatest single force making for an increase in general business in 1955 was the record growth in private debt. The volume of credit outstanding was greater than ever before.

The policy of credit restraint adopted by the monetary authorities early in 1955 was the principal restraining influence making for economic stability throughout this period of rapid economic growth.

The net effect of the restrictions on the banks was to retard the rapid growth in loans, restrict further expansion of bank deposits and encourage a rise in interest rates.

Outlook for 1956

The outlook for banking activities in 1956 will depend largely on the outlook for general business.

The business outlook for the coming year is for further rolling adjustments. Any decline in automobile production and residential construction should be more than offset by increases in expenditures for plant and equipment, construction (other than residential), and defense. A shift to a less restrictive or neutral credit policy by the monetary authorities is anticipated later in the year. What effect it may have on the banking system will depend very largely on the extent of the change in policy. It is anticipated that inventory changes will limit the growth in business in 1956 to a gain of 2 to 3% above 1955. Personal incomes and industrial production will be slightly in excess of 1955 rate. Competition will continue keen throughout the year.

The banking outlook for 1956 is favorable. A less restrictive credit policy should improve the rate of growth of bank deposits. The continuing high level of business activity is expected to maintain bank loans at an overall level at least equal to the average for 1955. Recent increases in the average rate of earnings received on loans and investments indicates a further rise in net earnings of the banks in 1956. With restrictions eased, the banks will be in a position to be of even greater service to customers and the general welfare of the economy.

BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

Sales for 1955 will be the largest in the history of our company and profits should show a substantial increase over last year.

Most economic indicators portend a favorable outlook for the coming year both in continued rising department store sales and improved profits. With new suburban stores already opened and other in the works, we expect our company to participate in the anticipated improvement for 1956.

Bruce A. Gimbel

Employment is at the highest level in the history of our country, average wages are at a high point and almost all employees are on a full work week. Companies with improved earnings have been declaring increased dividends. Old age benefits have increased both in numbers of people benefited and amount of benefits under the more liberal social security laws. All these factors, we believe, will work together to keep retail sales at high levels. If there is a slackening off of automobile sales in 1956 from 1955's record sales, it should help broaden the market for the type of merchandise sold in department stores.

Our company, along with the department store industry generally, is continuously exploring the use of new self-selection methods and fixtures, which are being adopted in such areas where we believe the convenience of the customer is best served and the operation improved.

S. A. GIRARD

Vice-President and General Manager, Willys Motors, Inc.

Evidence that not only this country, but the world at large, has a staggering work load ahead of it are too great to be ignored. Some of us are impressed by the fact, statistically at least, that passenger automotive sales have reached their peak plateau for the near future and are due to level off or take a breather.

S. A. Girard

What must not be overlooked is the constantly strengthening economy of all the Western World, the demand in this and other countries for more and better highways, the industrial expansion taking place everywhere, the tremendous increasing population at home, and the shifting character of our population centers. Our economy already is running around a $400 billion a year level in gross production.

Ours is a changing world, and in our country and much of the Western world, greatly increasing buying power has been expressing and will continue to express itself.

In a social sense, the dollars produced are finding their way into more pockets faster than ever before in the world's history. Never have we had as sharp an economic rise in a peaceful period, and never has a prosperity been so completely diffused among so many. In this country, the Federal, State, and local governments propose heavy expenditures to make improvements long necessary and overdue.

In one segment of the various Kaiser-managed companies, the year 1955, for the Kaiser Motors Corporation, will show that last year more Jeeps, Jeep trucks, station wagons and sedan deliveries were sold than during 1954.

As to the future, an oversimplified statement may not be out of order. It is this . . . "In a world with the work job that's ahead, the world's largest manufacturers of four-wheel drive vehicles face 1956 confident of a highly satisfactory year."

These vehicles continue in unabated fashion to multiply in the world's economy. Domestically, sales are up and prospects are high. Internationally, sales are stable, and only exchange difficulties, scattered, and far from general, have kept them from being even larger than they are.

"The Unseen Ally of the West,'" a headline in the New York "Times" of last Sunday proclaimed, "Is the Force of Freedom." Free men, singly and together, seek to improve themselves and that effort creates growth and stability.

I would not advise anyone to throw caution to the wind, but I sincerely feel that those who are bearish on the coming year and the years ahead will find themselves, as their counterparts in our past history have found themselves, profitless and disappointed because of a lack of vision and of faith.

PAUL W. GOODRICH

President, Chicago Title & Trust Company, Chicago, Ill.

The steady rise in our standard of living that is first expressed in the desire for a new and better family home is one of the long-term factors that will continue to support the home construction and real estate market.

Paul W. Goodrich

Officials of Chicago Title and Trust Company pointed out that, traditionally, the construction and real estate cycle has been a long one, and this is certainly true of the present upswing which has continued since 1942.

In recent months various agencies have taken action to restrict credit, one effect of which has been to limit the supply of funds available for residential construction financing. This has not seriously affected real estate activity in the Chicago area to date, partly because financing practices have been considerably more conservative here than in some other parts of the country.

In the Midwest and especially in the Chicago metropolitan region, the heavy rate of investment in new industrial and commercial facilities points to a continued high level of employment and prosperity for this area. Such rates of employment and stable family income will inevitably encourage desires for better family homes.

With reference to the future, we believe that a great deal is happening in this area that will continue to stimulate the economy and affect the rate of both commercial and residential construction.

The St. Lawrence Seaway, one of the most important developments, will add immeasurably to all that we already have and enjoy in this state. It will transform this land-locked prairie state into a virtual seaboard state, with all that this implies in the way of new commerce and industry along our lake shores, our rivers and inland waterways. This seaway, supplemented by the proposed national and state toll road systems, should beyond question mean that this region at the heart of the continent will become a greater shopping, manufacturing, industrial and agricultural region than we have ever dreamed. We have always been a crossroads for railroads of the nation; Illinois is about to become the crossroads for the nation's trucking lines and a port of destination for the ocean vessels of the world.

This means jobs and jobs mean people and people mean houses—in the city and in the suburbs. We are fortunate to live and have our businesses in the Midwest with its dynamic, broad economy and its promise for the future.

The experience of Chicago Title and Trust Company in the real estate field is based on 108 years of business history during which this company and its predecessor companies have been providing title service to buyers and sellers of real estate in Illinois. Its title guarantee policies provide the owner or mortgage lender on real estate with protection against claims that may arise to affect the title. When the buyer or lender on either residential or business property obtains a title insurance policy, he is assured that the title is good. In the event of any claim or attack against the title as guaranteed, whether the claim is valid or not, Chicago Title and Trust Company defends the policy holder, pays all legal costs of this defense, and, if a loss is suffered, reimburses the policy holder up to the full value of the policy. Such title insurance is today the accepted form of title protection in virtually every part of the country.

DONALD GORDON

Chairman and President, Canadian National Railway System

The Canadian National system shared, to a degree, in the general upsurge in the nation's business in 1955. The transportation industry as a whole, both in Canada and the United States, stepped up its level of activity to meet the diversified demands of a prosperous and optimistic economy.

Donald Gordon

The increase in the volume of business done by the railways was accompanied in 1955, as in other recent years, by a sharpening of competition from truck, airplane, bus and automobile. To meet this stiffer competition, the Canadian National has been moving ahead on a broad front towards better utilization of both its human and material resources.

The Canadian National system has made notable gains in operating efficiency in the past few years, and more such gains will be required in the future if the company is to win and hold a sound financial position in an expanding Canadian economy. The events of 1955 are both a measure of the challenge and evidence of current efforts to meet it.

West and east from Montreal, new trains and schedules brought added comfort and speed to Canadian rail travel. Under diesel power, the Super Continental, Ocean Limited and Scotian cut over 16 hours off the rail trip from Halifax to Vancouver.

The rapidly expanding development of Canadian resources is reflected in the contribution of new CNR lines to the opening of base metal areas. The Kitimat line, opened last January, is now in operation for both passengers and freight. During 1955, a rail line from Hillsport to Manitouwadge, Ontario, was completed and construction was started on one from Beattyville to Chibougamau and St. Felicien, Quebec.

The steel skeleton of The Queen Elizabeth is now clearly visible on the Montreal skyline and general contracting work will begin early in the new year. A start has been made on the Terminal Centre Building being erected on the railway's property near the hotel. These are further steps towards realization of a long-term plan for the development of the terminal area.

In an effort to strengthen its competitive position in the transportation of motor vehicles, the Canadian National designed and ordered 25 new car transporters, special box cars each with a capacity of eight vehicles. Delivery is expected in 1956.

Jointly with the Canadian Pacific, the CNR extended the CBC's microwave TV relay system from Montreal to Quebec City, thus helping to bring more Canadians into the widening area of television reception.

These and many other new developments in 1955 took place against a shifting pattern of railway traffic. Canadian National freight tonnage increased over 10%, mainly as a result of sharp increases in shipment of mine products, base metals, construction materials and lumber as well as most manufactured products, especially automobiles. These increases, which more than offset scattered tonnage declines in grain, pulpwood and coal, were not, however, large enough to bring total traffic to the peak level of 1953. The most significant gains were in low-rated commodities and this is reflected in a lower average revenue per ton mile than in 1954.

While there was no change in the general level of freight rates during 1955, there were important developments in the rate structure and its administration. A new Canadian Freight Classification was filed with the Board of Transport Commissioners for Canada on March 1, and on the same date a scale of equalized class rates became effective.

In a move to add to the competitive opportunities of carriers, Parliament in 1955 enacted legislation providing for freer administration of agreed charge contracts for freight transport. Since the latter part of last July, when the new procedures came into effect, the Canadian Na-

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J. E. Jardine, Jr., Now L. A. Exchange Member

LOS ANGELES, Calif.—J. Earle Jardine, Jr. partner of William R. Staats & Co., has been admitted to membership on the Los Angeles Stock Exchange through the intra-firm transfer of the membership formerly registered in the name of Harry B. Brooks.

J. Earle Jardine, Jr.

Mr. Brooks, who has been associated with W. R. Staats & Co. since 1908, was the oldest Exchange member on record — his firm membership having been effective since Sept. 14, 1921.

Mr. Jardine, Jr. is the son of John Earle Jardine, who was President of the Los Angeles Stock Exchange from 1926 through 1931. For the past three years he has been Vice-Chairman of the National Invest in America Week Committee, and a member of the Executive Committee for Invest in America Week in Southern California. During 1955, he was fund raising chairman for the American Red Cross drive in Southern California and now serves as Vice-Chairman and director of the local ARC chapter.

Mr. Jardine, Jr., is active in the Invesment Bankers Association, being a former Governor and also Chairman of the IBA California group. He is also a former President of the Bond Club of Los Angeles.

Lester, Ryons to Admit H. F. Beale

LOS ANGELES, Calif.—Harold F. Beale will be admitted to partnership in Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges, on Feb. 1st. Mr. Beale has been with the firm for many years.

Harold F. Beale

Lamson Bros. Admits

CHICAGO, Ill.—On Feb. 1 Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, will admit Robert M. Sproat to partnership. On the same date Edward F. Thompson, general partner in the firm, will become a limited partner.

Risser, Harmon Partner

Joseph S. Lederer, member of the New York Stock Exchange, on Feb. 1 will become a partner in Risser, Harmon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange. On Jan. 31 Earl T. Risser, member of the Exchange, will withdraw from the firm.

Edward A. Viner

Edward A. Viner, partner in Edward A. Viner & Co., Inc., New York City, passed away on Jan. 4.

Continental Copper Offer Underwritten by Allen & Co. Group

Continental Copper & Steel Industries, Inc. is offering its common stockholders rights to subscribe at $10 per share for 263,771 additional common shares at the rate of one share for each five held on Jan. 16, 1956. Rights expire at 3:30 p.m. (EST) on Feb. 2, 1956. An underwriting group headed by Allen & Co. will purchase any unsubscribed shares.

The company will use $1,500,000 of the proceeds of the sale to increase its inventories and the balance will be used to carry receivables required by the expansion of sales.

Continental Copper & Steel Industries, Inc. is engaged primarily in the manufacture and sale of a diversified line of metal products. Among the company's principal products are carbon, alloy and high-speed tool steel and forgings; high quality non-ferrous alloys; wire screen cloth; welded and riveted steel products; pipe and pipelines; steel snow plows; insulated copper wire and cable; plastic-covered wire and fine flexible wire; life boats and life saving equipment; welded and riveted stainless steel, monel and other alloy metal equipment; and earth-moving equipment. Products of the company are sold for the most part by sales representatives of the company.

Other members of the underwriting group include P. W. Brooks & Co. Inc.; Auchincloss, Parker & Redpath; Bernard Aronson & Co.; Goodbody & Co.; and Abraham & Co.

Form Embree Associates

William M. Brunett is engaging in an investment business from offices at 239 East 51st Street, New York City, under the firm name of Embree Associates.

A. E. Kleine Opens

CHICAGO, Ill.—Alexander E. Kleine is conducting a securities business from offices at 935 Merchandise Mart.

Firm to Be Warburton, Barnett & Greiner

On Feb. 4th Harold Barnett will be admitted to partnership in Warburton, Greiner & Batkin, 120 Broadway, New York City, members of the New York Stock Exchange, and the firm name will be changed to Warburton, Barnett & Greiner. Mr. Barnett has been a partner in Franklin, Meyer & Barnett, which is being dissolved as of Feb. 3.

New Golkin Branch

Golkin & Co. has opened a branch office at 16 Court Street, Brooklyn, New York under the direction of Gilbert L. Ward.

wraps up the idea of go in one clean front-to-back sweep!

Millions of Americans have now seen the five all-new cars of THE *FORWARD* LOOK '56 — Plymouth, Dodge, De Soto, Chrysler and Imperial.

Their judgment and their hearts tell them: here are cars that must be wonderful to drive, to ride in, to be seen in!

Take a good look yourself. Compare these cars with *any* new cars today—from any standpoint . . . in any price class.

What catches your eye first is THE FLIGHT-SWEEP—the freshest new note in car design. From jutting headlight to crisply upswept tail, this simple, clean line says *power* and *motion!* This is design that borrows from tomorrow!

Look at the people driving these cars, their faces tell you they know they couldn't have made a better choice!

See how they get into "Drive"—*they just press a button* of the new Pushbutton PowerFlite! See how they go—with *the finest new engines:* more powerful, more efficient, more economical. See how smoothly they ride—with an *all-road comfort* in a class by itself. See how easily they stop with *new braking systems* unequaled for sureness and ease. See how effortlessly they steer — with *Safety Touch Power Steering* that works *all* the time, not part time.

You'll see new safety too—for THE *FORWARD* LOOK '56 brings you the best-made bodies and frames . . . new Life-Guard door latches that are the safest you can have around you . . . and Safety Seat Belts, if you wish.

Visit your dealer soon. In THE *FORWARD* LOOK '56 cars you'll discover a new kind of riding and driving pleasure!

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PLYMOUTH, DODGE, DE SOTO, CHRYSLER, IMPERIAL

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tional has arranged 28 new agreed charges with shippers, bringing the total in effect at year end to 95.

Passenger travel over Canadian National lines was about the same as in 1954. Faster trains like the Super Continental, together with special tours and incentive fares, offset declines in immigrant travel early in the year.

The Canadian transportation market is larger and more complex than it was a few years ago, and the CNR, like other carriers, is constantly striving to adjust its services to this changing market. The process of adjustment can be seen on many fronts: in new trains and lines and in line abandonments (of which there were eight totaling 144 miles in 1955), in the extension of "piggyback" service and incentive loading rates, in faster freight and passenger movement through dieselization, in dinettes and coffee shop cars which in 1955 served 30% of Canadian National train meals, and in the addition of truck routes for better service through integration of road and rail transport.

Throughout the system, many long-needed improvements are being made, enhancing its ability to render good service and strengthening its basic earning power.

These physical advances are being made all across Canada. Cape Breton Island was linged to the mainland by rail and road for the first time in 1955, on completion of the Canso Causeway. Extension of rail lines was supplemented in 1955 by widespread modifications in locomotive servicing facilities and in passing tracks to get the most out of new diesel motive power. Moreover, some 200 diesel-electric locomotives were put in service along with about a thousand new freight and passenger cars. Four additional diesel Railiners began operating in Quebec and Alberta.

Every year—and 1955 was no exception—old lines are rehabilitated and new miles, 550 of them in this case, are laid to keep the Canadian National's trackage abreast of the country's economic development. In 1955 this also meant three and a half million ties and nearly two million cubic yards of ballast as well as extensive work on bridges and long-term yard projects such as those at Sarnia, Ontario, and Joffre and Garneau in Quebec. The past year also saw progress in the 40-mile diversion of the CNR main line between Cornwall and Cardinal, Ontario, to make way for a projected seaway power reservoir.

Rounding out the railway's freight and passenger operations and making the Canadian National a complete transportation system are its express, telegraph, hotel and marine services. Moving on fast passenger trains, express shipments in 1955 were up about 3% from 1954, while Canadian National Telegraphs message volume reached an all-time high. Private wire services continued to expand.

In addition to the microwave TV installations, the CNR installed new reperforator switching systems for TCA in Montreal and Winnipeg—the first of their type in North America. The CN-CP Weatherfax network set up for the Department of Transport was extended in 1955 to speed the distribution of meteorological maps by a wire-photo process. Projects on Canadian and American defense communications are also underway at several points in Canada.

Similarly, the Canadian National's hotel operations began to take a new form in 1955 with the start of construction on The Queen Elizabeth in Montreal. Taken together, Jasper Park Lodge and the seven hotels now operating experienced a slight increase in patronage over the previous year.

The company's marine operations also made progress in 1955. Canadian National Steamships traffic showed a moderate increase and the "William Carson" commenced a limited service between Nova Scotia and Newfoundland. The "Bluenose" and two vessels under construction in Scotland for east coast service are now expected to be in operation next year.

Corporations like the CNR are becoming increasingly dependent on research and related staff work in their efforts to take advantage of technological and administrative discoveries applicable to all levels of operations.

The year 1955 witnessed new efforts on the part of the company to put research to work for better and more economical service to the public. The design of the automobile transporter is one example; others involved grain handling techniques, performance tests on freight car trucks and design work on a new type of pulpwood car.

The CNR's industrial development officers continued to render assistance to firms considering Canadian locations. The Colonization and Agriculture Department contributed to arrangements for immigrants and extended its work in agricultural advisory services closely related to traffic promotion.

During 1955, the CNR expanded its personnel programs in every field. Although much remains to be done, good results were achieved in applying new employment techniques, in job evaluation and appraisal programs. But it was in the broad area of training that the biggest gains were made—training in signals, freight claims, accounting and many other facets of company activity. One of the most encouraging features of this work has been the growing cooperation of union leaders in projects for raising skills and productivity. This cooperation is most essential. In the final analysis the future of the corporation lies in the hands of its men and women.

CRAWFORD H. GREENEWALT

President, E. I. du Pont de Nemours & Co.

I see no reason to believe that the confidence that has carried us to new economic peaks during 1955 should fail or diminish in the immediate future. Since confidence is one of the principal ingredients of our economy, the outlook should be favorable. Business in 1955 showed the full effect of the consumer's satisfaction and optimism. Since most of the Du Pont Company's production represents products sold to other manufacturers as raw materials, our gain in sales reflected the general state of business activity and was an indication of progress in a wide variety of industries.

C. H. Greenewalt

It is true, however, that reasonable variations in the business curve may always be expected. It has always seemed unwise to me to place too large a premium upon short-term performance in judging the health of the economy; it is the patient's general stamina and resistance that governs his life-insurance rating rather than the fact that he may, at any given period, suffer from a cold or some temporary malaise.

In the business area, the most compelling index is the long-range prospect of how well our economy behaves over a period of years or decades rather than of months or quarters. On this basis, it can be shown that our progress over the long term has been excellent and, short of war, should continue to be satisfactory.

An important basis for optimism is the effect of scientific development and research which has a strong influence upon future prospects. Very large expenditures are being commited to pioneering work by industry generally The Du Pont Company's research budget continues at the annual rate of $60 million or more and we have high hopes that it will be as productive in the future as it has been in the past.

ROBERT E. GROSS

President and Chairman, Lockheed Aircraft Corporation

In 1955 the United States aircraft industry drove towards greater over-all stabilization of employment levels and backlogs — with an eye to increasing sales and profits.

Some fluctuation is a natural element of business in a competitive economy, but in aviation's younger years it was extreme. However, in recent months the air business made important progress in smoothing out its peak and valley periods, and further success can be foreseen for 1956.

Robert E. Gross

These important factors contribute to that forecast:

(1) Record backlogs of commercial orders for jet, jetprop and piston-powered airliners were established in 1955.

(2) There was spreading general acceptance by the public of the necessity for "insurance-type" defense spending.

(3) Further emphasis of the Weapon Systems Concept accelerated research and development work.

Record orders for jet-powered commercial airliners announced in 1955 gave three American manufacturers a total backlog of more than $1,000,000,000 for this variety of plane alone. Piston-powered planes also sold well, giving emphasis to long-range predictions that air traffic—both passenger and cargo—will double in the next 10 years with consequent need for every type of airliner available.

Deliveries scheduled for 1958, 1959 and 1960 suggest an increasingly stable work force—and currently available data indicate that 1955 fluctuation in aircraft employment was only about 1%, the lowest on record.

As 1956 progresses, it is reasonable to expect that airliner orders will continue strong and thus increase the span of steady employment well into the 1960's.

This stability of employment will be of direct benefit to the nation's military establishment, which could draw on the established manpower reservoir in the event of severe national emergency.

During the past year, Americans as a whole held varied opinions of the chance for lasting world peace. But at no time did the public relinquish its belief that spending for defense in this perilous age should be steady and well-planned.

This attitude also denotes quicker elimination of extreme dips and climbs in the aircraft industry's economy.

The Weapon Systems Concept, used by the U. S. Air Force in handling major projects, demonstrates by its existence the complexity of today's ultrasonic and hypersonic aircraft and guided missiles.

Basic premise of the Weapon Systems Concept is that a particular project (invariably a cooperative job by many groups) is managed by one organization or company. This managing group is responsible for the correlation of all the activities—design, engineering, manufacture, assembly and testing—of each participant.

Research and developmental work naturally came in for stronger emphasis with the evolution of these complicated Weapon Systems. The year 1955 saw, for the first time, "R&D" projects which were larger in scope than some production projects.

Exposed by the new requirements for modern weapons was 1955's greatest shortage—the lack of qualified scientists and engineers to dream and design superior flying articles.

Aviation firms today are searching every source for the trained minds which can solve tomorrow's problems in aerodynamics, propulsion, firepower and guidance systems. The quest will continue in 1956.

A vital part of aviation's forward movement involves the need for new facilities to house research work, plant expansions and product testing. Within the next decade, between $1,500,000,000 and $2,000,000,000 must be spent by the aviation industry on expansion if companies expect to maintain their competitive positions.

HUGH C. GRUWELL

Chairman, First National Bank of Arizona, Phoenix, Ariz.

The great migration of Americans from East to West which began immediately following the end of the war and which has so greatly accounted for important population and economic advances in the Rocky Mountain and Pacific Coast areas, continues without abatement. Since several of the great trans-continental highways traverse the State of Arizona, that commonwealth has been an important beneficiery of this tremendous movement of people. Instances showing this growth abound but they all net to these facts: The state has doubled its population in the past ten years and our bank has paralleled that growth exactly. The state has added manufacturing industry and tourism to the bases of its economy which also included cattle raising, mining, farming and an extraordinarily lively retail community. Within the year numerous industries identified with radar and electronics have moved to Arizona or signified their intention to do so, thus providing thousands of additional jobs for those who have streamed into the state.

Hugh C. Gruwell

These great changes necessitated careful reassessment of the state's tax laws and its other legal structure involving our schools, zoning regulations, and the like. Just in the month of December, both Houses of the Legislature met, repealed the law requiring a 2% tax on manufactured goods sold to government agencies. This repeal placed Arizona manufacturers on an equal footing competitively with manufacturers elsewhere.

There are superficial signs that the business community will want to police itself with greater care in 1956 to avoid repetition of sales methods which, while successful volume and profit wise, nonetheless aroused some public animosity. Otherwise Arizona's businessmen anticipate that 1956 will parallel the success enjoyed in 1955. It is believed copper production, in which Arizona leads the nation, will continue undiminished and the value of manufactured materials which last year for the first time surpassed farm income, will continue on a rising curve. There appears reason for some hope of an early and reasonable settlement of the Colorado River controversy and when that occurs, the additional water allocated to Arizona will enable the state's farmers to turn more desert acerage into productive farm land, and thus provide an even larger contribution than now to the marketbasket's of the world. On Sept. 1, 1955, Mont E. McMillen, Executive Vice-President of First Western Bank and Trust Company of Pasadena, Calif., assumed the Presidency of First National Bank of Arizona. At the same time the writer became Chairman of the bank's Board. Plans for expansion to provide greater banking service to more Arizona communities are now receiving careful study.

To sum up, it is our belief the unprecedented prosperity enjoyed by Arizona and the Southwest generally over the past seven or eight years will be duplicated in 1956.

GEORGE GUND

President, The Cleveland Trust Company, Cleveland, O.

Business as a whole climbed to a new all-time peak in 1955. I expect that a year from now we will be saying the same thing about 1956. I doubt, however, that the rate of increase will be as rapid as in the past 12 months.

George Gund

The Gross National Product, which measures the total dollar volume of business activity, will probably be around 3 to 4% greater for the year 1956 than for 1955, which compares with a 7.5% gain for 1955 over 1954.

There are several reasons for anticipating a more moderate tempo next year. Residential building has already begun to decline (after seasonal adjustment), and the number of new dwelling-units started in 1956 is likely to be less than in 1955. It is doubtful if the production and sale of new passenger automobiles can repeat last year's remarkable record. The current rate of inventory accumulation by business concerns may slow down in the latter part of 1956. Credit expansion will probably furnish a smaller push than in 1955, because the monetary authorities are likely to maintain

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The Changing Credit Picture in Agriculture

scurces of the farm, or to his particular interests and aptitudes. Such cases are common in areas of the West and South, particularly where the loss in export markets has had the most severe effects, but are found to some extent in all areas. Here there is a need for a form of intermediate credit which permits matching the loan advances to the steps in the conversion process and the terms of repayment to the expected flow of income.

Intermediate Agricultural Credit

The need for intermediate credit to farmers is not entirely new. It was an issue throughout the 1920's and some new farm credit institutions were set up at that time. The need always becomes greater at times of declining prices and rising costs when farmers find themselves unable to finance such expenditures from one year's net earnings. It is especially pressing at present because of the rapid growth in intermediate term items needed on farms. Some day our loan statistics will have a three-way break to include intermediate term loans, in addition to the present two-way break on mortgage loans and short-term loans. However, before we reach the state when such lending is as commonplace in agriculture as it is in industry, we must learn a great deal more than we now know about the methods best adapted to such lending. Techniques which will permit this type of lending need to be developed.

In making intermediate term loans, it is imperative that a realistic and careful appraisal be made of the situation, including not only the integrity, industriousness, and collateral of the borrower but also his capability and the soundness of his plan of operations, at least for the period of the contemplated loan.

As mentioned before, modern farming is a highly complicated undertaking, involving a wide variety of technical and business problems. Unless the borrower has the training or is willing to seek and use the advice of competent specialists, he is not apt to be a good risk regardless of his collateral, for no business transaction is a desirable one unless it promises to be mutually profitable to both parties.

In appraising the borrower's proposed plan, there are several points to be considered. First, is the unit large enough or can it be made large enough without prohibitive cost to provide an adequate living for the operator and his family and still leave enough margin to repay the loan over a reasonable number of years? Second, is the land adapted or adaptable to the contemplated use? Much of our present farm problem comes from the misuse of land. In spite of years of concentrated emphasis on soil conservation and proper land use, we still have vast acreages with a low or hazardous crop potential that should be returned to grass or timber.

Is the borrower's schedule of anticipated income realistic in making due allowance for weather cycles and market fluctuations? The present difficulty of many wheat farmers and cattlemen is in no small measure due to the unwarranted optimism generated by the usually good weather and abnormally high prices during war and early postwar period. A sound plan for term credit should make provision for years of uncontrollable adversity, but it should also require offsetting prepayments in years of higher than anticipated returns. It should also take account of the possible effects of quotas and acreage allotments and have sufficient flexibility of alternative enterprises to meet such conditions.

The farm plan should be a living document, laying out the broad outlines of the farm operation for the period ahead. It must not be regarded by the borrower as a useless paper which he signs to get the loan and then promptly forgets. A properly prepared plan is a joint product in which the borrower and lender are both vitally interested and which will, in fact, be referred to frequently. It should be subject to appraisal periodically, based on actual achievements, and should be flexible enough to be modified by mutual agreement if conditions require such change.

Banks with agricultural representatives are ideally suited to making such loans, and they appear to be increasingly interested in this development. Other banks which are not staffed with agricultural specialists may find it somewhat more difficult. Banks with agricultural people and those without them should avail themselves of the assistance of county agents, Soil Conservation Service personnel and other Federal and state agricultural people in developing such plans.

City banks can be of much assistance to their correspondent banks in helping them to develop this phase of their farm lending service. In addition to the technical assistance which the city banks can provide, they may at times be asked to participate in the larger loans for which the local banks' resources are not adequate. A sound farm plan and loan agreement make a highly desirable, if not absolutely essential, basis for appraising such participations.

It is of doubtful value to the individual or the community to assist him in continuing on an inadequate unit which shows little promise of being substantially improved and where the applicant runs the risk of seeing his lifetime savings and possibly the land itself gradually dissipated. Those borrowers who cannot develop an economically profitable unit, either because of lack of physical and financial resources or because of insufficient managerial capacity, should be encouraged to supplement their farm earnings with part-time, off-farm jobs or, in some cases, even to consider full-time, off-farm employment. This latter move often results in the individual improving his own position and at the same time allows the land to be recombined into larger and more efficient units.

With the present cost-price situation in agriculture, everything possible should be done to promote greater efficiency.

In this connection, we should not overlook the credit needs of the part-time farm operators. If a person has a reasonably secure off-farm job or can get one and operates his farm on a part-time basis, his loan repayment ability can be based on these earnings as well as on the earnings from his farm. Thus, it may be possible to help him on a sound basis whereas his farm earnings alone would not justify the loan.

The management potential of the prospective borrower—a major consideration in today's complex farm operations—can be appraised to some extent on the basis of his past performance. Some appraisal can also be arrived at, based on the knowledge and judgment that he exhibits in mapping his farm plan. Addition of or conversion to a new enterprise always entails some risk, and such moves should be undertaken gradually and with sufficient flexibility so that the plan can be slowed down or speeded up as developments warrant.

At first this farm planning may seem onerous and costly. However, the experience gained in processing earlier plans will serve as a basis for the more expeditious handling of subsequent cases. Many of the problems encountered in preparing one plan will be common to others. As stated earlier, Federal and state agricultural workers can be of help. They can help formulate the basic data needed, such as land use classification, crop yields, price prospects, crop and livestock production goals, and similar considerations. They may be able in some cases to work with a prospective borrower in preparing a specific plan for his farm, to be submitted with the loan application.

Service of the Banker to Agriculture

The service that a banker can render to agriculture in financial planning has been mentioned. Since a prospective borrower must scrutinize his projected income and expense picture carefully when a farm plan is prepared, he is less likely to purchase a machine or some other item that he does not actually need for greater efficiency. Bankers can perform an important service to farmers by helping them to limit their expenditures to those items which are most likely to improve their efficiency and income.

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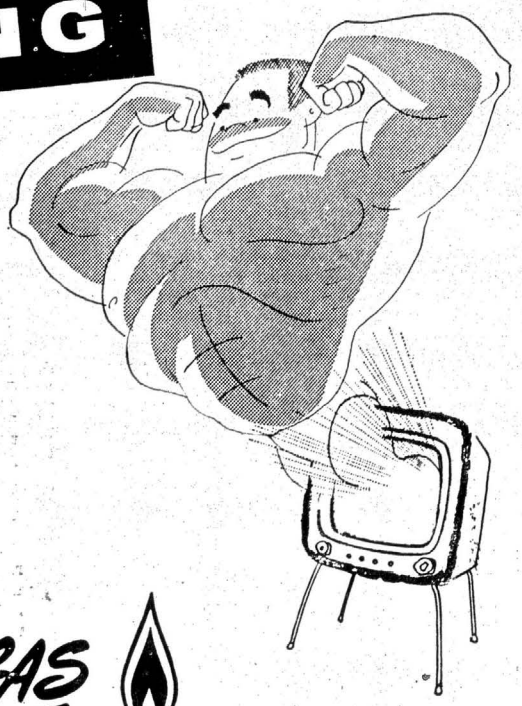
the picture keeps on GROWING



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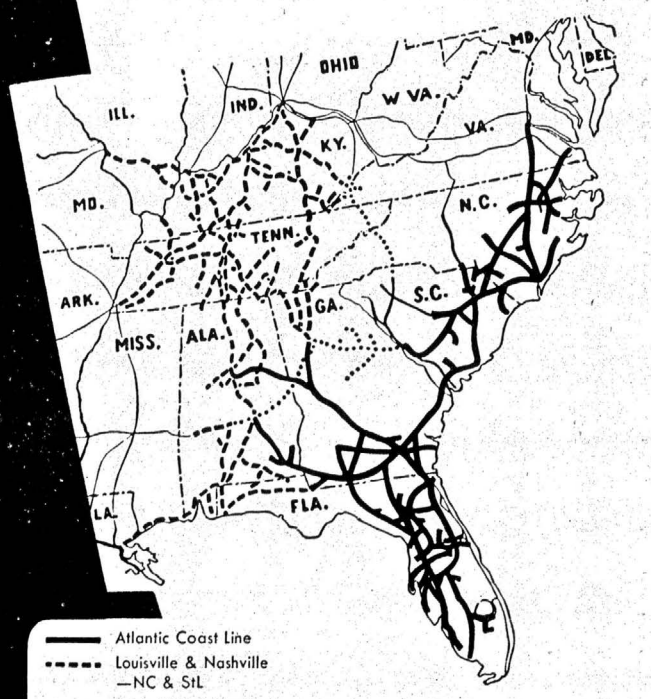

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a policy of credit restraint as long as there is any danger of the boom getting out of hand.

On the upside, there is little doubt that nonresidential construction will have another big year in 1956. Business outlays for new plant and equipment, one of the major factors in our economy, promise to increase substantially. State and local governments will spend more for highways, schools, and other public works. And with total personal income high and rising, consumer spending should show a further gain in 1956, particularly as to nondurable goods and services.

Over the past year the Cleveland area has enjoyed a notable increase in business volume, employment, and income. I envision continued prosperity for Cleveland in 1956.

FRED G. GURLEY

President, The Atchison, Topeka and Santa Fe Railway System

Business generally has been good in San Fe territory except in some agricultural areas which were adversely affected by drought. The year 1956 should be approximately as good as 1955 from the standpoint of revenue. Income for the year just ended will be approximately 10% above that of 1954 but lower than the peak peacetime year of 1953.

Fred G. Gurley

I think the future for our industry is good, and our faith in that future is evidenced by the fact that the present year's capital expenditures totaling approximately $102 million will be the highest in Santa Fe history to date. Of this outlay, $49 million will cover purchase of 5,125 new freight cars; $25 million for improvements to roadway, structures and equipment; $15 million for new passenger train cars including 45 streamlined Hi-Level cars for the new El Capitan to be inaugurated in June of next year, and $13 million for 80 new Diesel locomotive units.

In addition to inauguration of the new Hi-Level El Capitan the principal projects scheduled for 1956 include laying of approximately 300 track miles of new rail (nearly 249 miles of which will be continuously welded), the installation of a Telersgister electronic reservations system in important ticket offices, and the start of work on a modern retarder yard at Corwith Yard, Chicago. The retarder yard will take an estimated three years to complete and will cost in the neighborhood of $6 million.

The railroad in 1956 will complete construction of a 19-mile spur between Maryneal and Silver in Texas and will begin construction of a line from Hespiria to Cushenbury in California.

Besides Teleregister, the railroad will progress farther into the electronic field with installation of electronic data processing machines in its accounting department and will place in service an electronic microscope for testing Diesel fuels and greases.

It is expected that during 1956 our program of installing head-to-rear end radio communications on freight trains will be virtually complete on the main line between Chicago and California. We have two Centralized Traffic Control projects under construction on Coast and Gulf lines territories, totaling 189 miles, also nine miles of traffic control signaling under construction on the Coast lines. When these have been completed, Santa Fe will have a total of 2,178 train miles of traffic control signaling.

We expect an increase of at least $15½ million in Santa Fe's annual wage bill as a result of increases already negotiated or now being negotiated. Also anticipated is a gradual, but continuing increase in cost of materials and supplies.

Physically strong, well financed and well managed railroads will get along all right, but there still is an urgent need for a wise and sound treatment of the competitive forces in the transportation field.

I am one of those who believes that the regulatory pattern still is influenced too much by the thinking of the days when the railroads had a so-called monopoly, on transportation. We must come to grips with the realities of competition as we face it today. The report by the President's Cabinet Committee on Transportation recognizes that the time has come to adjust our regulatory policies to these competitive facts and calls for "increased reliance on competitive forces" as the "cornerstone of a modernized regulatory program."

Today the public is often denied the benefits of low cost transportation by regulatory policies which have protected the traffic and revenue of carriers with higher costs. The Committee recommends, therefore, that the railroads and other regulated carriers be given greater freedom to base their prices on their own natural advantages. Under such a policy, the traffic would gravitate to the form of transportation best fitted to handle it. This would make it possible to pass on the benefits of the most efficient and economical operations to the public, so that the nation's total transportation bill could be substantially reduced.

Completion of our new direct main line into Dallas, Texas, was the high point of the current year. Another outstanding project involved installation of approximately 103 miles of continuous welded rail, approximately 63 miles of which was done by a new electric flash-butt welding process never before used on an American railroad.

The company continued during the year its installation programs of Centralized Traffic Control, head-to-read radio on freight trains and high water detectors at points in the West where flash floods have been a problem.

Vapor-drying treatment of ties was stepped up at Somerville, Texas, and Albuquerque, N. M., plants with a marked reduction in splitting of hardwood ties as compared with air seasoning, and the company's mechanized tie gang total was raised to seven gangs renewing ties in main tracks.

We received 2,350 new freight cars during the year, including mechanical temperature-controlled refrigerator cars, "Damage Free" box cars and insulated box cars. We now have 30 electro-mechanical temperature controlled refrigerator cars for handling frozen food, with 200 additional cars of this type under construction.

Prior to 1955 we had 22 flat cars in Piggy-Back service, and by the end of the current year we will have equipped 46 additional cars, bringing the total to 68 cars.

Santa Fe received 18 new Diesel locomotive units during the year, and by the end of 1955 will have received 27 new passenger train cars.

A new signal repair shop at Topeka, new locomotive servicing and car repair facilities at China Basin near San Francisco, and new or improved ticket and traffic offices at Denver, Albuquerque, Phoenix and Chicago were completed this year, as well as new stations at Hutchinson, Kan., and Lubbock, Denton and White Rock in Texas.

H. FREDERICK HAGEMANN, Jr.

President, Rockland-Atlas National Bank of Boston, Mass.

The year 1955 ended with business in a boom of large proportions. Industrial production, as measured by the Federal Reserve Index, is currently at 144 (1947-49=100), or 7 points above the best month in 1953. The current rise in the economy has carried business activity beyond all previous peaks. We have record employment and inventories are being built up, although not yet at a dangerous rate. It is apparent that industry in general is once again fast approaching or has already attained capacity operations. Lower auto production and lower residential housing starts probably represent a recoil from overstimulated previous activity.

H. F. Hagemann, Jr.

As the year 1955 opened, the Discount Rate at the Federal Reserve Bank was 1½%. A moderately restrictive credit policy has been in operation through the year with successive advances in the Discount Rate as follows:

April 15, 1955	1½ to 1¾%
Aug. 4, 1955	1¾ to 2 %
Sept. 13, 1955	2 to 2¼%
Nov. 22, 1955	2¼ to 2½%

Demands for bank loans and installment credit have soared. The prime rate for large top commercial borrowers has been advanced from 3 to 3½%, but as yet the boom does not appear to be subsiding. It is interesting to compare the increase in loans of commercial banks over two six-months expansion periods, namely, the fall of 1952 and the fall of 1955:

Total loans of reporting member banks (billions)

(Last half 1955)		(Last half 1952)	
6/29/55	$43,632	6/25/52	$35.938
12/28/55	48,361	12/31/52	38,543
Increase	$4,729	Increase	$2,605

The marked increase in the fall of 1955 and the absolute total of over 48 billion are both striking.

At some time in the future this credit expansion will come to an end either because the borrowers ultimately become concerned with the amount that they owe, or the banks and other lenders become alarmed at the amount of money they are lending, both in an absolute amount and in relation to their balance sheet ratios. Even the Federal Reserve Banks cannot expand credit indefinitely and must be concerned about their balance sheet ratios. They are undoubtedly concerned today about the fact that since 1948 short-term liabilities to foreigners reported by banks have increased from $6 billion to over $11 billion. Included in this 11 billion are foreign holdings of certificates and 90-day Treasury Bills of almost $4 billion. Foreigners have the right to demand satisfaction of these liabilities in gold if they so choose. Such gold withdrawals if they occurred could prove financially embarrassing.

Since the Federal Reserve reversed its policy of restraint in mid-1953 until December 1955, there has been an increase in the money supply of about $20 billion as measured by the combined figures of total deposits in all banks and currency in circulation, the combined figure having moved up from about $196 billion to about $216 bililon. Even during the year 1955, which the Federal Reserve has characterized as one of active restraint, total reserve bank credit has increased by $987,000,000, moving from $26,433,000,000 on Dec. 29, 1954 to $27,420,000,000 on Dec. 28, 1955 to an all-time high. The total money supply even during 1955 as measured above increased by several billion dollars according to estimate. As I stated last year, the basic cause of inflation is too many dollars, and the way to stop inflation is to reduce the number of dollars, or at least stop increasing the number.

In spite of a tremendous bull market in stocks, carrying the Dow-Jones Industrial Average to a new all-time high of 487, credit employed in the stock market has only increased as follows:

Dec. 31, 1953	$2,445,000,000
Dec. 31, 1954	3,436,000,000
Oct. 31, 1955	*3,973,000,000

*Latest available.

Margin requirements were increased on April 25, from 60 to 70%. Purchases of stocks are still being made largely for cash.

Federal Reserve Decisive Influence

The restrictive policy of the Reserve authorities has increased in tempo throughout the year, but has been gradual and moderate with the exception of the relaxation in connection with the December financing and the year-end adjustments. If this restrictive policy is to be effective, it must be pursued until the abnormal upsurge in loans is stopped and the boom dampened. The commercial banking system can be helpful by carefully scrutinizing all loan applications to avoid making loans for strictly speculative purposes and to endeavor to see that bank credit is used chiefly for productive purposes, i.e., transactions that will increase the flow of goods and services rather than bid up prices.

The Federal Reserve Board is faced with an extremely difficult, and so far as history records, impossible task of trying to furnish funds for sound business expansion without at the same time increasing inflationary pressure. The orthodox method of attempting to do this has been to slow down on credit expansion and let interest rates rise to sufficiently high levels so as to discourage unnecessary borrowing. The limited amount of funds are thus made available at a rate (even if high) for those who really need the money.

Federal Reserve Board Chairman William McChesney Martin testified before a sub-committee of the Senate Banking and Currency Committee that it is the Government's collective endeavor to "prevent another 1929 if it is possible to do so." He indicated that at the present time the demands for funds far exceed the supply of savings, and that to met these demands by creating new supplies of money through the commercial banking system with Federal Reserve assistance would invite dangerous inflationary repercussions throughout the entire country.

The outlook for banking in 1956 is tied up directly with whether or not Chairman Martin and the Federal Reserve Board can carry out their stated policy of restraining the increase in the money supply. The demand for loans so far in 1956 still appears to be strong. For the Federal Reserve Board to create new money to meet this demand with industry operating at capacity as stated above will only increase prices and not produce any more goods. After all the artificially created money that has already been pumped into the economy since the Summer of 1953, it would seem that our future expansion should be financed largely out of savings. Certainly this is so if we are to keep the dollar from depreciating further in purchasing power.

Higher interest rates and tighter credit have never been popular with businessmen, labor leaders and politicians, to say nothing about the voters. Even many bankers are against inflation only until the pinch begins to affect them adversely.

Banking Outlook Good

Any program to stop the boom will meet tremendous opposition and for fear of starting real deflation, the measures to slow down the boom probably will continue to be mild. Even if the Federal Reserve this year is effective in topping out the boom, the momentum from 1955 is so great that I would expect 1956 to be an active and profitable banking year with deposits about the same at the end of the year as now. Interest rates may be a little higher or about the same as they are now. Bank earnings should be higher in 1956 than in 1955 as the full effect of the rate increases in 1955 have not been fully felt as yet. Banks now have larger loan portfolios and the risk of lending in a boom period are greater than normal. Credit losses, small in 1955, may begin to increase in 1956, but not to the extent, in my opinion, to affect earnings. Loan totals will remain high. Bank dividends should tend to increase some.

Losses on Securities

Banks had losses on securities in 1955. Some were taken for tax purposes, some because banks found it necessary to sell securities to provide funds to meet their customers' loan demands.

If loans continue to increase in 1956, if deposits should decline or a combination of both, banks might have to incur further losses this year in the sale of securities. Many banks to minimize their losses in 1955 sold off the short end of their portfolios. In doing so they have cut down their liquidity and some have a very limited amount of short securities currently in their portfolios. These banks may be forced to take some losses in 1956 to repair their liquidity position or to meet loan demands or deposit withdrawals.

Conclusion

Due to the level of business activity and the credit restraint program of the Federal Reserve, it is my feeling that banks are watching their loan portfolios and bond accounts more closely than ever. Banks are proceeding into 1956 with more than usual caution, but are confident of their ability to meet whatever conditions may arise.

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It should not be implied from these remarks that banks are not meeting these credit needs, particularly in the intermediate term area. Some banks have been doing an excellent job in this field for several years. Others, which are equally interested in serving their farm customers, have felt they were restrained from making such loans due to some regulatory restriction. In this connection, the Federal Reserve Board has recently stated in a letter to all Federal Reserve examiners that there is no Federal law or regulation which prevents commercial banks from making intermediate term loans for agricultural purposes and that such loans, made on a sound credit basis, are not to be considered as undesirable.

Some bankers have attempted to meet this situation with annual renewals of short-term loans. It is entirely possible that such loans may have been criticized by examiners if the terms of the note were not being met even though the lender and the borrower both understood that renewals might be necessary over a period of years before the loan could be liquidated. It is also possible that some bankers may not have realized the needs or potential opportunity for profitable service in this field.

Lenders, of course, need protection, so if a lending operation is not going properly or there is danger of loss the operation can be straightened out or the loss minimized as quickly as possible. This protection can be afforded with a properly prepared farm plan and with a loan agreement that embodies the necessary safeguards. It is much better that these safeguards be written down specifically and accepted by both parties so the borrower, as well as the lender, knows exactly what is expected. The borrower is thus assured that the financing will be available in the amounts and on the terms promised if he meets the terms of the agreement.

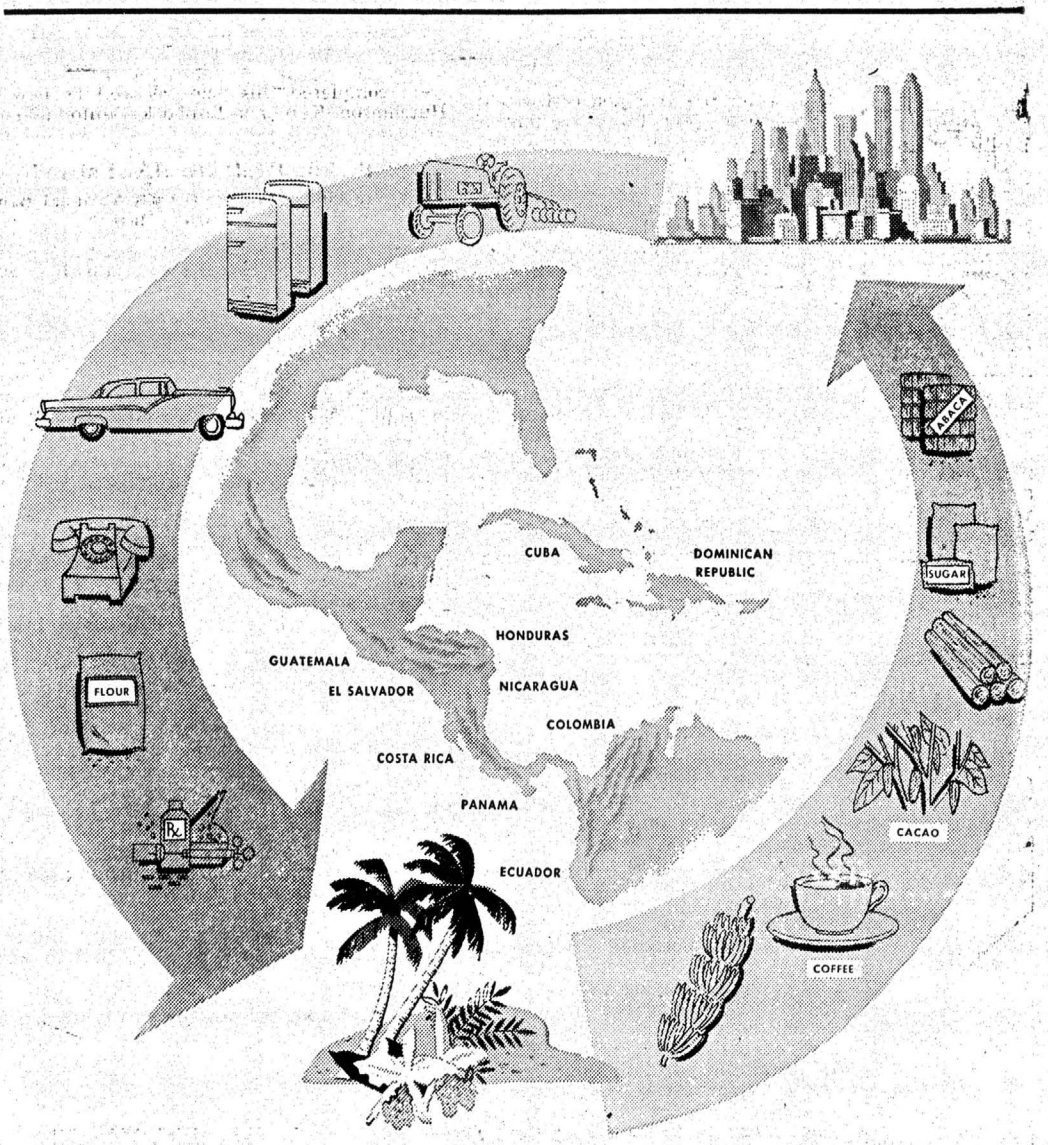
We have little knowledge of the overall extent of intermediate term lending to farmers and we need to know more. The Federal Reserve System is considering the desirability of a study of agricultural lending by commercial banks in the not too distant future. It is hoped we will learn from the study the extent of bank participation in intermediate term lending and some of the characteristics and conditions of such lending.

So far, I have dealt mainly with one phase of the agricultural credit problem. There are a few general observations I would like to make. From 1940 to 1945, the ratio of total farm debt to total assets dropped from 1:5.3 to 1:10. From 1945 to Jan. 1, 1955 that ratio has narrowed slightly to 1:9. To the extent that rising debt reflects added investment in productive resources, it may be indicative of increasing productive efficiency. To the extent that it represents operating losses, it is a matter of grave concern. Unfortunately, available data do not show which of these two predominate. We do know, however, that agricultural credit is in a relatively strong position. Mortgage debt at present represents only 9% of the market value of farm real estate compared with 20% in 1940 and even higher in earlier years. While the total farm debt represents 11% of total assets, reflecting, at least in part, the increasing amount of machinery, equipment, and livestock purchased on credit, it is still low compared with 19% in 1940. It is indeed fortunate that this healthy debt situation exists at this time of falling prices. While the legitimate needs for agricultural credit must be met, it is important that it be done with discernment to the end that this healthy situation may be maintained.

Compared with the rest of the economy, total farm debt increased approximately $10 billion in the last 10 years against an increase of $200 billion in nonfarm private debt. This indicates the tremendous demand for available credit. Some fear has been expressed that because of this condition agriculture would be adversely affected by any measure of credit restraint. While tightening credit may increase the credit cost for farmers, it is relatively to their advantage. The rest of the economy is booming. Demand is crowding capacity in many areas and this pressure is beginning to be reflected in price increases. The farmer is already suffering from the cost-price squeeze. With little immediate prospect for any material improvement in farm prices, any further increase in the cost of things the farmer has to buy would only accentuate that squeeze. This is further emphasized when we realize that the cost of outstanding farm credit represents less than 5% of total farm costs.

In closing, then, we may say that agriculture is still in a strong credit position and worthy of the credit needed for furthering productive efficiency and that any credit restraint which will minimize the upward pressure on nonfarm prices and hence on the cost of farm production is to the advantage of agriculture even though it results in some slight increase in the cost of farm credit.

There is a real challenge to country bankers these days to continue to lead in financial service to the farm community. There is a pressing need to improve efficiency on many farms, to adapt the agricultural production plant to the changing demands of our domestic and export markets, and to help farmers learn better management techniques. Your attendance at this Conference is evidence of your interest in these problems. I am sure you have the imagination and initiative to continue your leadership in this important field.



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The Maya civilization, centuries ago, rose to great heights and then perished in the jungle. Why? Perhaps because this remarkable people relied on one crop—corn; or because they lacked economic and cultural contact with others.

We of the Americas now realize that Interdependence is the key to our survival. Today not one, but many crops and products flow northward from Central America . . . coffee, hides, lumber, bananas, cacao, abaca . . .

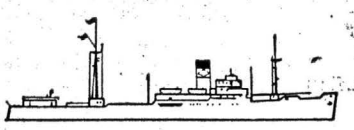
Dollars for these crops and Central America's goods and services flow southward. They buy refrigerators, telephones, cars, tractors, and other manufactured articles.

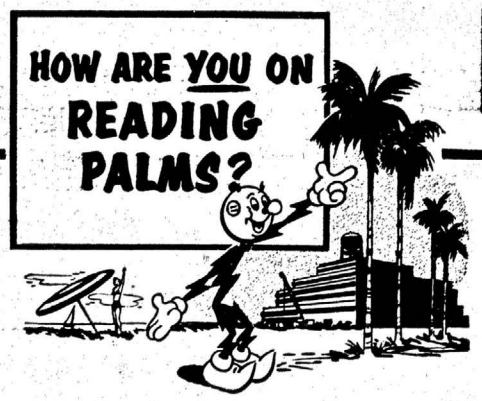
Thus we have a living circle of economics that strengthens the Americas, bringing the people of the American Republics closer and closer in bonds of friendship and better living.

United Fruit Company

General Offices: 80 Federal St., Boston, Mass.

United Fruit Company has been serving the Americas usefully for 55 years—employing and developing human skills, conducting extensive research, cultivating, transporting and selling bananas, sugar and other crops, and expediting communications.





Check your future against these present advantages which Florida offers your business:

- **Growing markets, high buying power**
- **Friendly government, favorable taxes**
- **High worker morale, increased productivity**
- **Climate ideal for living and working**
- **Dependable electric power assured**

Florida's full advantages for relocation or entirely new ventures can be fully realized only by extensive "on-the-ground" study. We'll gladly assist in securing information from local sources. Address: Industrial Development Service, P. O. Box 3100, Miami 32, Fla.

FLORIDA POWER & LIGHT COMPANY

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ELVIN E. HALLANDER

President, Lynch Corporation

Lynch Corporation serves two major growth industries:—glass containers and packaging.

The current boom in glass bottles appears to be a continuing development during 1956 and, consequently, our production of machinery for making bottles should reach 10% or more above 1955 levels.

Elvin E. Hallander

While tin cans, plastic bottles and paper milk cartons have enjoyed good markets, glass bottles are still used for 96% of all home deliveries and glass growth has been supported by numerous products that are best displayed in clear, glass containers. In particular, baby foods and instant coffees come to mind as increasing users of glass containers.

The foreign demand for glass machinery has been an active part of Lynch business in 1955 and the foreign supply of dollars makes it appear that overseas sales may even be higher in 1956.

On the packaging side of the Lynch machinery sales, we expect the revolution in packaging stimulated by the growth in self-service selling to produce up to 10% higher packaging machinery sales in 1956. Due to the merchandising aspect of self-service packaging, this side of our business is extremely volatile in that new machinery is continually being required to implement new ideas in packaging.

Lynch Corporation's backlog at the end of 1955 was satisfactory in both the glass machinery and packaging machinery divisions.

We entered the new year with certain advantages that were not previously enjoyed. The establishment of new cost and production control methods should have a substantial effect upon our 1956 operations. Furthermore, the consolidation of our manufacturing and assembly activities into three plants, all located in Indiana, was completed during the Fall of 1955 and will also stimulate our earnings this year.

We view 1956 as a year of progress. Gross sales are anticipated to be at about the same level or slightly higher than they were during 1955—profits accruing to our stockholders should be larger due to the greater efficiency and economies in operations that were not available to us in 1955.

A. L. HAMMELL

President, Railway Express Agency

We are in full accord with the widespread opinions expressed by seasoned business and financial leaders who foresee a continued strong and dynamic national economy during 1956. High rates of production and consumption of all types of peacetime goods should continue. This would mean sustained large volumes of traffic moving from the factories and farms to the markets via all available transportation services.

A. L. Hammell

It is our belief that production and consumer buying will continue to be high during the foreseeable period ahead. Confidence in the business outlook is based on the sustained rise in population and resulting larger markets; improved and faster methods of production; the growth of service industries; greater leisure time activities; and a growing foreign trade. Continued low inventory practices at retail levels and the needs for fast stock replenishment also are expected to accelerate the use of Railway Express services throughout 1956.

The railroad industry is investing billions of dollars in new rolling stock and improved facilities. The airlines are buying aircraft which will usher in the commercial jet transport age. Necessity will soon force the construction of an adequate nationwide highway system for peacetime and military uses.

All these factors indicate that the golden era for transportation still lies ahead.

Railway Express is engaged in a $70 million "Investment in Progress" streamlining program. By the end of 1960 the entire express fleet of 13,500 automotive vehicles will have been replaced. In accordance with vehicle replacement policy no such equipment will be kept in service for more than six years. During 1955 a total of 3,000 new trucks, costing $10 million, were put into service. Another $10 million was spent for 500 new express refrigerator rail cars which were added during 1955 to the fleet used in express operations. Purchase of an additional 500 refrigerator cars at a cost of $10 million was announced early this year. Modern materials handling equipment continues to be installed in new and redesigned express terminals and other facilities.

During 1955, Railway Express completed arrangements with Seaboard and Western Airlines, a trans-Atlantic air freight line, through which express shipments now can be shipped between all points in the U. S. and cities in Europe, Africa, the Middle and the Far East on one waybill. To stimulate foreign trade traffic through express channels, first class rail express rates were reduced late in the year by 25 to 50% on export and import shipments between all U. S. shipping points and designated port cities handling international shipments by both air and surface.

Recent and future arrangements and new services designed by Railway Express to bring world markets and sources of supply to "Main Street U. S. A.," represent an emphasis on international shipping which dates back to the early operations of express.

William F. Harnden, founder of the industry in 1839, expanded his express service to Europe in 1841. His U. S.—foreign shipping operations not only were among the earliest, but were instrumental in bringing thousands of immigrants to this country from Great Britain and Germany during the 1840's to supply the need for the much greater labor force required in the rapid westward expansion of the nation.

Railway Express Agency has upward of 40,000 people on its payroll and operates via more than a third of a million miles of railroad, airline, motor truck and water routes. In 1955 it handled 83 million shipments with a revenue of more than $382 million.

JOHN HARPER

President, Harper Oil Co., Inc.

December 1955 provided such a favorable atmosphere for the marketing of petroleum products in the New York City area that our segment of the oil industry would like to see it last forever.

John Harper

Consumption of gasoline was at a high peak, and the first sustained cold spell in excess of normal weather conditions created a demand for heating oils that had not been equaled in several years.

Such bursts of speed will always slacken off again, but, in a business that can boast an ever increasing annual volume of sales, these surges give us a big boost.

Last year gasoline price wars blazed up and down in a number of sections of the U. S. A. Congressional committees held hearings to see if there was any foul play going on, and also to see if any legislation for solution of these destructive conditions was possible or warranted.

Nothing has yet developed a cure, but several of the suppliers are experimenting with programs that might prove beneficial.

At one time there seemed to be a break-down in industry relations, which was manifested by strong resentment against suppliers and a desire to find some way to retaliate on the part of both gasoline station operators and petroleum distributors.

There are indications on the part of the integrated companies of a growing desire to cooperate. It is hoped that this will tend to restore mutual confidence.

Petroleum marketers are getting getting back to an understanding of free competition, and most of them realize that they had better learn to live with it, as it is the order of our way of life and there doesn't appear to be much possibility of a recurrence of a seller's market in the immediate future.

"Live and let live" is a policy that is gaining favor again throughout our whole economy, and it won't take much of a sacrifice on anybody's part to make it effective.

The threat of hostilities and the doubt as to the turn of political fortunes are the two unknown factors that will influence the outlook for the future.

But confidence in the American way of life is increasing, and, if this continues, the hopes that prosperity will stay with us during 1956 should be fulfilled.

ROBERT M. HANES

President, Wachovia Bank and Trust Company, Winston-Salem, N. C.

With most business barometers registering all-time highs as we enter a new year, fair weather for business would appear to lie ahead, at least for the first half of 1956.

The question which has been raised in the minds of many thoughtful observers is whether the prosperity achieved in 1955 can be made enduring. Certainly we cannot assume that the economy will maintain, year after year, an unbroken upward movement. It never has—and it never will. We have seen a year of unparalleled boom, but booms must always end, sometime and somehow. Frequently a boom is checked and even reversed by an unexpected development or set of conditions. Therefore, it is a duty of leaders in business and government to analyze constantly the business picture, to point out any weaknesses or dangers which should be overcome, and to work unceasingly for the maintenance of conditions which experience has proved are sound and essential for a strong economy.

Robert M. Hanes

One of these conditions is a prevailing sense of confidence in the business outlook. Certainly we enter 1956 with high confidence that it will be another year of good business. The record high level of personal income will be a strong sustaining force. The backlog of construction contracts for business expansion in 1956 gives assurance of another year of tremendous physical growth in production facilities. The expectation that the Federal budget will be balanced gives further stability to the future outlook.

The outlook for banking in 1956 presents a somewhat mixed picture. Earnings will very likely continue at present good levels, with interest rates higher than a year ago and with demand for credit strong. Undoubtedly, the Federal Reserve Board will continue to hold a restraining hand on the money situation as they work to control the forces of inflation. Treasury authorities will no doubt endeavor to follow this pattern too in fiscal affairs, although there will be increasing pressure from political sources to loosen up on the money supply since 1956 is an election year.

We shall see and hear many attempts to redirect or reverse government fiscal and monetary policies. To adopt the policies that will be advocated would mean, in most cases, the removal of the safeguards which have given us in the past three years the most stable dollar in two decades. The result would be a return to inflation. Nothing could be more dangerous or more destructive to the welfare of the nation and the well-being of its people.

Let us then face 1956 with an attitude of both confidence and caution. While we can look to the future with assurance, we must not become over-optimistic. We must work to keep our business structure and our economy in a sound condition. Caution and restraint are tremendously important if we are to spread the current prosperity over a period of years. If we climb to steep heights by means of inflation and unsound practices, we run the risk of skidding precipitously and dangerously when some untoward incident jolts the economy and undermines our confidence.

Our economy is a powerful machine. There is plenty of gas in the tank. We can travel far and at a good speed, provided we drive with caution and safety—which means maintaining the policies and conditions which furnish soundness and stability. Caution should be the watchword in 1956.

CHARLES J. HARDY, JR.

Chairman, ACF Industries, Incorporated

As we enter the new year, the demand for goods and services seems far from satisfied. The country's productive facilities in most lines are working at or near capacity, employment is at or near the all-time high, average take-home pay is settling new records while savings are doing the same. Meantime, our national population is increasing unprecedentedly, thus creating new markets for housing, clothing, foodstuffs, and the thousand and one other items of necessity. We enter 1956 at peace with the world, regardless of the welter of words which emanate from international meetings. Internally our horizons are expanding in almost every conceivable direction. The quest for better ways of doing things, the search for new products for home and industry and agriculture, the expanding role of science — all go forward with unabated vigor.

Charles J. Hardy, Jr.

Thus it appears to me that, generally speaking, 1956 should be the equal of 1955, if not better. Some industries are likely to be held back because of shortages of materials, particularly steel. Our company is handicapped right now because of this shortage. Our backlog of orders for freight cars is at the highest level in many years and should assure a year of satisfactory earnings and high employment in that part of our operations. When new types of passenger car equipment have been evaluated, we anticipate a substantial revival of railroad buying to replace many of the present obsolete cars.

Other divisions or subsidiaries of our company face equally good prospects. Our fleet of tank cars (Shippers' Car Line Corp.) is fully leased, the demand for carburetors (Carter Carburetor Corp.) by the automobile industry has never been better, sales of valves and related products (W-K-M) are at record levels, and the work of our electronic divisions is progressing favorably. All in all, I look forward to a good 1956.

W. HARNISCHFEGER

President, P & H Harnischfeger Corporation

I will be glad to give my views, as I see them. Some of my predictions in the past have not been too good and, in view of the fact hat the government is such a big factor in influencing business, by reason of its huge expenditures, the past history of the average industry does not always apply under prevailing circumstances.

W. Harnischfeger

The company has concluded a successful year, although our earnings have been somewhat lower than many companies, and the reason for this has been that during the first six months of the year the overhead crane industry was off 50% which, of course, to a considerable extent reflects in the expansion of industry generally; however, we had a pickup which started in August and indications are we are going to have a good year in the heavy industries because our backlog is greater and the expansion program, particularly in the automotive and steel industries, is apparently once more going ahead.

In the construction industry our sales were substan-

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Free World's Capital Needs in Next Five Yrs.

tries such as the world has never known.

Does the enterprising, equity-minded U. S. investor fit into this picture? I am absolutely convinced that over the long-term he does. Experienced investors have already shown they are alert to Europe's prosperity and to the opportunities overseas. Not since the 20's have we witnessed so great a willingness to export our capital — first by investing the U. S. companies with overseas operations, and second by investing directly in foreign securities. Paced by American firms doing foreign business, our private investments abroad in the years between 1946 and 1954 almost doubled to $26½ billion. And in 1954 those investments earned a record $2.5 bililon. Moreover, to meet the needs of a people willing to venture, U. S. bankers and brokers have stepped up their foreign activities.

Despite the present willingness of many of our people to risk their money overseas one cautionary note must be sounded — particularly where direct foreign investments are concerned. I believe that at present — and for reasons I will outline in a moment —a sharp line must be drawn between the experienced investor and the man who is new to share-ownership.

At the Stock Exchange we are deeply committed to the concept of broadening ownership. We are also convinced that capitalism's greatest moments are still to come, and that they will be ushered in in an era of "mass investments." We look to millions of middle-income Americans to invest some of their money in our great businesses, and to share the rewards and risks of ownership in an expanding economy. Ten years ago the prospect of "mass investments" was a dream. Today, we see it happening, and it places a special responsibility on the Exchange Community in its efforts to broaden the ownership base. That responsibility poses a peculiar problem for us in the field of foreign investments.

We are certainly aware of the great opportunities abroad. And we are also convinced that as we strengthen capitalism here we must be interested in strengthening it elsewhere—particularly in areas where the potential is greatest.

But we must recognize, too, the unhappy fact that there is a yawning gap between opportunity and fulfillment . . . between what the investment climate actually is and what we would like it to be. The realities that plague overseas investments throw a shadow over the prospect of profits. And candor dictates that the average U. S. investor—with whom we are most concerned, and who has an enormous investment potential—be advised that at present foreign investment fields are loaded with danger. The pitfalls are many, and the warning signals haven't been made clear enough. I should like to outline the present dangers, and mention some prospects for removing them.

Factors Inhibiting U. S. Investments Abroad

The U. S. investor who looks abroad often runs into a bewildering array of legal uncertainties and complexities, unless he chooses to invest in an American firm with overseas operations. If he is able and willing to surmount the obstacles, he faces an equally perplexing problem: the fact that most foreign companies bear almost no resemblance to their American counterparts when it comes to full disclosure of financial data, the seeking of a widespread corporate vote in company affairs, and other sound, equitable stockholder relations policies.

The investor in American companies has increasingly been fed a diet of understandable statistics, periodic progress reports and open accounting methods. As an overseas investor he frequently finds himself a poorly-informed relation to the stockholder family—if he is informed at all. He has a healthy and natural reluctance against being weaned from his U. S. diet. And he naturally hesitates to risk his money without having the basic data necessary for his investment decision.

Let's take a look at each of these problems.

First, there are the legal and regulatory uncertainties. American dollars are subject to multiple exchange rates that are complicated enough to confuse anyone but a mathematician. Discriminatory tax laws are designed, it often seems, to choke off the very flow of venture capital foreign countries most need. If the American investor decides his opportunities warrant pressing ahead anyway, he is likely to run up against laws limiting the amount of profits he can withdraw, and regulations governing the amount of capital he can transfer. And finally, in certain countries he is all too frequently apt to meet with the most painful and unjust penalty of all —outright expropriation.

In an era when many sovereign nations are just beginning to feel the first nationalistic effects of independence, the expropriation problem is by no means a dead or dying issue. A couple of months ago, for example, a United Nations committee, preparing a draft for the International Covenant on Human Rights, included a paragraph which said, "the right of people to self-determination shall include permanent sovereignty over their natural wealth and resources. In no case," declared the text, "may a people be deprived of its own means of subsistence on the grounds of other rights that may be claimed by other states." While national self-determination is a policy we Americans recognize and respect, the language of the proposed draft—in what it specifically omitted mentioning — contained an implied endorsement by the General Assembly of the right of expropriation without compensation. Here then, was a new danger and a new barrier to Americans willing to export their capital. It prompted me to write our U. N. Representative urging that the language of the final draft make crystal clear that the rights of individuals everywhere — including investors — must be respected. The General Assembly is scheduled to consider this matter in detail later in the year. We hope—and we shall continue to urge — that the U. N. recognize that while a country may decide its best interests lie along the nationalization route, investors must be assured of prompt, adequate and effective compensation. Otherwise foreign countries will limit

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Growing *through service...*

National Bank of Detroit wants to serve you in the Automotive Capital

STATEMENT OF CONDITION, DECEMBER 31, 1955

RESOURCES

Cash on Hand and Due from Other Banks		$ 501,639,555
United States Government Securities		752,785,314
Other Securities		118,657,957
Loans:		
Loans and Discounts	$ 495,159,222	
Real Estate Mortgages	124,666,445	619,825,667
Accrued Income and Other Resources		7,021,494
Bank Premises		12,524,007
Customers' Liability on Acceptances and Letters of Credit		2,254,527
		$2,014,708,521

LIABILITIES

Deposits:		
Commercial, Bank and Savings	$1,727,249,995	
United States Government	87,483,535	
Other Public Funds	65,553,342	$1,880,286,872
Accrued Expenses and Other Liabilities		17,305,429
Acceptances and Letters of Credit		2,254,527
Capital Funds:		
Common Stock ($10.00 par value)	$ 26,000,000	
Surplus	74,000,000	
Undivided Profits	14,861,693	114,861,693
		$2,014,708,521

United States Government Securities carried at $183,920,849 in the foregoing statement are pledged to secure public deposits, including deposits of $22,347,008 of the Treasurer, State of Michigan, and for other purposes required by law.

BOARD OF DIRECTORS

Howard C. Baldwin
Henry T. Bodman
Robert J. Bowman
Prentiss M. Brown
Harlow H. Curtice
Charles T. Fisher
Charles T. Fisher, Jr.
John B. Ford
B. E. Hutchinson
Ben R. Marsh
Ralph T. McElvenny
John N. McLucas
W. Dean Robinson
Nate S. Shapero
R. Perry Shorts
Donald F. Valley
James B. Webber, Jr.
R. R. Williams
Ben E. Young

More friends because we help more people

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tially higher than a year ago and I believe this construction industry, especially in the highway field, will show further expansion in 1956. We are planning on an increase of at least 10% in the construction industry and this applies, substantially, to every industry in which we are engaged, except in the Diesel Division, where we expect to show considerable growth because a great many of the trucking and common carrier lines are converting from gasoline engines to diesels. I am happy to say we have an outstanding diesel engine to offer the trade.

In regard to the underlying conditions, I am, personally, somewhat concerned about the inflationary tendencies which have been brought about by ever-increasing rates in wages, and sooner or later this will have to be stabilized unless we want to have a greater devaluation of the dollar.

I am also of the opinion that business generally could drop substantially; first of all, because of the great amount of business on credit that is already being done in the consumers' line and secondly because of the problems in the farming situation which, of course, will affect the agricultural implement people.

Also, the increasing of the rediscounting rate will, undoubtedly, have some tendency to slow business down. This may be offset by expansion of spending policies on the part of our government, 1956 being an election year!

I hope our Administration and Congress will not become a party to this type of politics and that an effort will be made to substantially cut Federal spending so we will have a balanced budget and find some way to retire some of the debt. Unless, this is done, I believe there will be further expansion in inflation.

I. W. HELLMAN

President, Wells Fargo Bank, San Francisco, Calif.

Based on the increasing levels of California business which prevailed throughout 1955, activity in the first half of 1956 should be at a higher level.

I. W. Hellman

California's business activity, as measured by the Wells Fargo Bank Index, is nearly double that of the 1947-49 period. November, for example, was the best month on record with the Index reaching 195 compared to 100 in 1947-49.

Banking reflects these high levels of general business. Interest rates during 1955 were firm and tended upward in the latter months of the year. Indications are that demand for loans will continue strong, particularly during the first part of 1956. Bank deposits, too, should remain at high levels — supported in part by the continuing influx of people from other parts of the country who are coming to California to live and work.

WILLIAM H. HARRISON

President, International Telephone & Telegraph Corporation

Predictions are always hazardous, and in a world that has added to all its old problems the new ones of an atomic age and Communist imperialism, they are subject to change with little notice.

William H. Harrison

Nevertheless, businessmen cannot sit on fences. We produce today what we must sell tomorrow. The very nature of our function is to estimate the future, and our estimate must be based on personal experience and other data available to us.

So far as concerns the international situation, we at IT&T are more closely in touch with conditions abroad than is the average businessman, and the feeling among us is that, although stresses and strains will continue in 1956 as they have in 1955, there will be no general crisis. We are sure the free world will remain strong and not allow false promises to lure it into an unwarranted feeling of security.

Progress along the road to freer world trade and stabilized international exchange will in our judgment continue, for in most parts of the world signs point to further improvement in industrial and commercial conditions.

In the United States, we also look forward with confidence to the future. While not ruling out the possibility of moderate short-term downward cycles, we believe that the long-term trend of production and prosperity will continue upward.

This is particularly true, I think, of the electronics industry, which came of age during World War II and is today the fastest-growing segment of our economy, with half its output already going into the civilian market. In my opinion, the best hope of continuing to increase the per-capita output of our nation—which is the secret of our unexampled standard of living—lies in the well-programmed application of electronic controls to the productive process of every industry that can benefit from the fruits of automation.

Combined with atomic power, electronics can in this way open up vistas that stagger the imagination. It is one of the main reasons why we at IT&T believe that our national economy, now at its highest peak, is headed for new heights. Our prosperity has solid foundations on which to build hopes of still better days to come, and I see no reason to doubt that we as a people will continue to approach national economic and political problems with moderation and good sense.

ERNEST HENDERSON

President, Sheraton Corporation of America

Only two years ago we were beset by the pains of inventory reduction, following the piling up of surpluses in the boom year of 1953. This was "fat" which had to be worked off in the 1954 "readjustment." In 1956 we face a possible similar readjustment due to the rate of increase in consumer credit during the past 12 months.

Ernest Henderson

All through 1955 expanding installment credit provided a powerful impetus to business activity. However, like growing inventories, it represented a stimulus that could not continue forever without an ultimate day of reckoning.

Although a near miracle was achieved by the Washington administration in maintaining three years of prosperity while holding the dollar virtually stable, this accomplishment would have been even more spectacular had it occurred without benefit of expanding consumer credit,—a stimulant in some respects akin to monetary inflation in its effect on purchasing power.

In 1956, new installment credit, of which automobile financing is such an important part, is likely to experience a reduced rate of growth, if not an actual reduction in volume. The recent General Motors hearings which focused the country's attention on the high pressure sales techniques of the industry are likely to bring about this curtailment in the growth of consumer credit, perhaps more effectively than could have been accomplished by legislation.

I predict that the major car manufacturers, heretofore engaged in a fantastic production race between giants, will as a result of the Congressional hearings, cut back production to a level more in keeping with normal demand. I believe that the pressure on dealers to sell accumulated inventories of new cars will diminish, and, in consequence, that installment credit will cease to climb at the rate of 1955. The extra "boost" from expanding consumer credit will have to be replaced by other forms of purchasing power if 1956 is to maintain the upward trend of 1955.

One possible source of added liquid purchasing power that could substitute for a decline in the rate of installment credit, could come from a further rise in the stock market which, with its expanding reservoir of spendable security dollars may once more represent an important proportion of the nation's total liquid wealth. We are once more approaching, though fortunately at a more moderate pace than in the 1920s' the point where the fluctuations on the New York Stock Exchange can again become a major influence in determining the course of business activity.

With the magnificent record of prosperity established by the Administration during three years in Washington, and despite the strain that an election year may impose on our economy, I believe there is every reason to believe that in 1956 business will once more be maintained at an extremely prosperous level, and that monetary controls wisely administered will prevent any serious decline in the level of production and consumption, even though new records may be less conspicuous than in 1955.

In the sphere of political thought, realizing that a pendulum once set in motion usually swings too far, I believe the strong trend towards liberalism so apparent during recent decades, a trend which seemed by sheer momentum to be leading the country toward an unworkable Utopia, will gradually reverse itself as the pendulum swings too far. I predict that exaggerated and visionary pressure towards extreme liberalism, a trend which could eventually do the country as much damage as the ultra-conservatism of former generations, — I predict that this trend towards super-liberalism, exemplified by organizations such as the ADA, will show signs of weakening in 1956, and that practical and hard realities, rather than visionary dreams and prejudices, will regain ascendancy. This trend seems to me a good omen for continued prosperity for nearly all Americans during the coming year.

The Hotel Industry, which represents our principal interest, is geared very closely to the rise and fall of general business activity throughout the country. Although competition between the larger hotel systems will increase, improvements in operating techniques assure the larger hotel companies a prosperous 1956.

JOHN A. HILL

President, Air Reduction Company, Inc.

American industry made more, sold more and earned more in 1955 than ever before—by almost any business definition, last year was a record year. These records were achieved without the artificial stimulus of either a defense boom or inflation. Today's business is moving forward under power provided by the consumer and the businessman — government lends momentum, but little if any forward thrust.

John A. Hill

The American consumer's income continues to increase and along with it the desire for more of the erstwhile luxuries that are now standard equipment in a higher standard of living. From our point of view the business topography of 1956 runs upward to an even higher contour, but it is not quite clear at this time how far along this higher contour line 1956 will progress. Beyond mid-year the map is somewhat obscured by uncertainty as to the development of the credit picture, labor-management relationships, and the extent of any decrease in automobile production and residential housing activity.

We fully expect that the chemical industry will continue its upward progress. Continued growth in the acceptance and use of synthetics and other chemical products should enable the chemical industry to record a better 1956 than most other industries. The never ending search for stronger, more versatile, more industrially useful and commercially attractive plastics and resins promises further increases in the share of the chemical industry in America's expanding gross national product.

Nineteen hundred and fifty-six will see America's Frontiers of Progress moving further outward.

CONRAD N. HILTON

President, Hilton Hotels Corp.

The unprecedented level of business activity and national prosperity made 1955 the best year hotels have recently enjoyed, and we have every reason to believe that 1956 will see a continuation of these conditions.

Conrad N. Hilton

Room occupancy is up for almost all hotels—higher than it has been since the end of the war—and still climbing. Convention bookings are excellent, and the number of travellers and tourists is breaking records. Granted freedom from international conflicts during 1956, the desire of people to see new places and get to know the world better is bound to make the hotelman's year a busy one.

As far as Hilton Hotels Corporation is concerned, last year was the best in our history. Earnings increased materially, largely as a result of our purchase of the Statler properties late in 1954. Not only is our volume greater, but we are constantly effecting economies by combining facilities to avoid duplication, by the mass purchasing of equipment and supplies, by pooling executive talent, and by cutting administrative overhead.

Opening of the new 1,001 room Statler Hilton in Dallas this month is a fitting commencement of what looks to us like another 12 months of growth and consolidation. Our gross income and profit margin are both expected to continue their upward trend as our new hotels come into operation, as our extensive modernization program nears completion, and as the acquisition of the Statler chain makes more impact.

Our international plans are moving ahead. We already have hotels in Spain, Turkey, and Puerto Rico, and buildings under construction in other countries. The Continental Hilton in Mexico City will open this year, and in 1957 we will open the Acapulco Hilton in Acapulco, Mexico, the Habana Hilton in Havana, Cuba, and the Nile Hilton in Cairo, Egypt. Under an agreement with the Canadian National Railways we will operate the 1,217 room Queen Elizabeth Hotel in Montreal upon its completion next year. In 1958 we will open a hotel in West Berlin. Hotels will also be built in other major cities of the world.

We operate these hotels abroad for the same reason we operate hotels in this country: to make money for our stockholders. It is good business, good hotel business, both for the immediate future and the long run. While it may be commonplace today to point out that the world is getting smaller, hotelmen are perhaps more than usually aware of the fact. The traveller who gets to know us in Istanbul turns up as our guest in New York. Similarly, more and more Americans who go abroad look for—and find—a Hilton hotel in which to stay.

International hotels help world trade and are indeed a form of world trade themselves. They circulate Western thought through all countries and generate a stream of tourists and businessmen across the face of the earth. Every hotelman believes he has a responsibility to help light the world with the warmth and glow of hospitality, and our hotels in distant countries stand as proof of our acceptance of that trust.

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Free World's Capital Needs in Next Five Years

drastically their chances of getting American capital.

Fortunately, without expecting the millennium in removing existing obstacles, or denying that our own government imposes some rather massive investment barriers through the capital gains levy and the double tax on dividends, there are good indications that progress is being made overseas. McGraw-Hill reports some 35 countries have passed or proposed laws to encourage U. S. investments. New techniques are being developed to simplify exchange rates and speed the two-way flow of funds. Foreign governments are reappraising their tax laws and offering new incentives to U. S. corporations.

These are welcome developments and should be encouraged. They are a true barometer of the investment climate abroad. As the climate improves it's logical to expect improvement in a second major obstacle I mentioned earlier —the area of "full disclosure."

There is more to this barrier, however, than the simple unwillingness to bare corporate secrets. Capitalism throughout the world has many faces—and not all of them are familiar to us.

In the last two years I have had the opportunity to visit some 10 foreign countries. To the U. S. businessman there is nothing stranger than the insight such visits provide into the differences between our own and foreign brands of capitalism. "Enterprise" may go under the same generic name, but often the similarities are slight.

It is fact, not criticism, to say that filled with our own success, we don't fully understand the pressures still operating on the businessman abroad. And it is fact, not criticism, to say that our foreign counterpart still doesn't grasp what has happened here since the turn of the century. He doesn't understand, for example, a system that is fiercely competitive, that fights for markets instead of sharing them, that reports earnings and sales instead of concealing them, and most important, that woos stockholders instead of running from them. The sight of one of our stockholder meetings, attended by hundreds or thousands of owners — an event we witness here year after year — would fill many foreign businessmen with consternation. A program such as ours to broaden shareownership is, to most foreign executives, as alien and distant as Mars.

Foreign Firms Want Access to U. S. Markets

I do not believe that in the United States we are especially determined to export our particular brand of capitalism. But if that happens of its own accord it is all to the good. And our prestige and success, coupled with the need for U. S. dollars, is prompting more and more foreign businessmen to take a long look at the full disclosure principles that have become basic to our public companies.

"We will listen to an American businessman," a Belgian executive told me not long ago. "We will give more credence to your experience and to what you say, than we will to our own people." And a German businessman added, "we are coming to the point where we will have to issue our financial statements along the lines that you do." As this comes to pass it will constitute a major breakthrough in the field of international investment. Full disclosure will serve to make foreign securities more widely-known, and will give foreign firms better access to our money markets—and eventually to our customers. New horizons for U. S. enterprise will burst open, and will help satisfy, on a sound basis, the American appetite for foreign investments that has been whetted by the free world's prosperity.

There are, of course, implications to American capital moving overseas that are broader than purely economic matters. The U. S. was built with the aid of foreign money. This pattern has been reversed. For us to increase further the movement of our capital abroad will assist nations overseas to achieve a higher living standard, and will help them decide the kind of capitalism they are going to have. There is probably no more important decision for the free world to make. For if other countries move toward our owns concept of enterprise—and toward the idea we are developing of a broader, man-in-the-streets kind of ownership—we shall have developed the strongest and most effective nonmilitary weapon against Communism.

NYSE Encouraging Foreign Firms to Meet Disclosure Standards

There are signs, in fact, that foreign companies — particularly those of an international character—are moving closer to our full disclosure standards. The New York Stock Exchange is actively encouraging this process and the logical step that springs from it: the increased listing on our Exchange of foreign securities. Today, our "foreign roster" includes 300 stocks and bonds of foreign governments and corporations. This makes the Exchange the nation's leading market place for foreign securities. We think more foreign listings will help meet the needs of the average U. S. investor who is looking abroad. They will put within his reach not only the issues of domestic firms with large-scale overseas operations, but those of a growing list of "blue chip" foreign companies. The end result will be a financial market place that is truly world-wide in character.

When foreign companies seek to list we must, as a practical matter, take into consideration their accounting methods and problems, and we must recognize, also, that the laws under which they operate are different from our own. Accordingly, we have made adjustments to meet their needs and charters. But in the area of full disclosure, and in matters pertaining to the right to vote—safeguards which provide U. S. investors with the basic protection they must have, the Exchange has insisted on high, democratic standards.

I am asked frequently how foreign firms feel about our listing

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CHICAGO TITLE AND TRUST COMPANY

BALANCE SHEET *As of December 31, 1955*

ASSETS	
Cash	$ 4,006,924
Marketable Securities	
Bonds (at amortized cost)	
U. S. Government Obligations	4,636,616
State and Municipal Bonds	17,750,736
Other Corporate Bonds and Notes	2,910,097
Stocks (at market)	
Preferred Stocks	1,524,250
Common Stocks	7,338,856
First Mortgages	53,718
	$34,214,273
Bonds (at amortized cost) Pledged to Secure Trust and Escrow Cash Balances	
U. S. Government Obligations	17,513,907
State and Municipal Bonds	2,344,520
	$19,858,427
Total Marketable Securities	$54,072,700
Other Assets	
Accounts Receivable (less reserve)	1,477,958
Sundry Loans and Investments	679,762
	$2,157,720
Real Estate (at cost)	
Chicago Title and Trust Building Corporation	5,500,000
Other Real Estate (less depreciation)	630,625
	$6,130,625
Stocks of Associated Title Companies (at cost)	1,373,687
Title Records and Indexes	1,600,009
Total Assets	$89,341,656
LIABILITIES and CAPITAL FUNDS	
Accounts and Taxes Payable	
Accounts Payable	$ 123,940
Accrued Taxes Payable	2,994,530
	$ 3,033,470
Cash Deposits as Indemnity Against Specific Title Guarantee Risks	3,273,198
Trust and Escrow Cash Balances, Secured by Pledged Securities	19,488,825
Reserves	
For Losses and Contingencies	4,932,603
For Market Fluctuation of Securities	7,185,197
Unrealized Appreciation of Stocks	3,612,495
	$15,730,300
Capital Funds	
Capital Stock	12,000,000
Surplus	10,000,000
Undivided Profits	5,815,863
	$27,815,863
Total Liabilities and Capital Funds	$89,341,656

Assets in the amounts provided by statutes of Illinois have been pledged to qualify the Company to do business and to secure trust and escrow cash balances.

Continental Illinois National Bank and Trust Company of Chicago

BOARD OF DIRECTORS

WALTER J. CUMMINGS, *Chairman*

J. Q. ADAMS, Real Estate
CARL A. BIRDSALL, *President*
CHAUNCEY B. BORLAND, *Managing Owner,* Borland Properties
CHAMP CARRY, *President,* Pullman Incorporated
ALFRED COWLES, Cowles Properties
D. A. CRAWFORD, *Director,* Pullman Incorporated
EDWARD A. CUDAHY, *Chairman of the Board,* The Cudahy Packing Company
JOHN F. CUNEO, *President,* The Cuneo Press, Inc.
CALVIN FENTRESS, JR., *President,* Allstate Insurance Company
LAWRENCE P. FISHER, *Director,* General Motors Corporation
CHARLES Y. FREEMAN, *Chairman of the Executive Committee* Commonwealth Edison Company
WILLIAM A. HEWITT, *President,* Deere & Company
JOHN HOLMES, *Chairman of Board* Swift & Company
THEODORE V. HOUSER, *Chairman of the Board* Sears, Roebuck and Co.
JAMES R. LEAVELL, Banker
WILLIAM H. MITCHELL, *Partner,* Mitchell, Hutchins & Co.
ROBERT H. MORSE, JR., *President,* Fairbanks, Morse & Co.
PETER V. MOULDER, *Executive Vice President* International Harvester Company
H. A. SCANDRETT, Railroad Executive, retired
FRANK F. TAYLOR, Banker
HERMAN WALDECK, Banker

Statement of Condition

DECEMBER 31, 1955

RESOURCES

Cash and Due from Banks	$ 651,653,605.07
United States Government Obligations	862,980,808.40
Other Bonds and Securities	190,185,098.02
Loans and Discounts	1,010,833,075.37
Stock in Federal Reserve Bank	6,000,000.00
Customers' Liability on Acceptances	1,290,631.41
Income Accrued but Not Collected	8,323,616.38
Banking House	7,800,000.00
	$2,739,066,834.65

LIABILITIES

Deposits	$2,473,593,376.34
Acceptances	1,415,253.91
Reserve for Taxes, Interest, and Expenses	17,421,307.19
Reserve for Contingencies	18,105,362.41
Income Collected but Not Earned	2,126,375.11
Capital Stock (2,250,000 shares. Par value $33⅓)	75,000,000.00
Surplus	125,000,000.00
Undivided Profits	26,405,157.69
	$2,739,066,834.65

United States Government obligations carried at $215,415,993.58 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

LOCK BOX H, CHICAGO 90, ILLINOIS

NEW YORK CORRESPONDENTS • E. J. McGRATH AND L. A. ANDERSON • 14 WALL STREET

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P. W. HIRES

President, The Charles E. Hires Company

On the whole I think prospects for our industry on a national basis this year are very good. The beverage industry in general has made a great many strides over the recent years as is evidenced by the tremendous growth of this billion dollar industry.

P. W. Hires

With the advent of new size containers, new methods of dispensing soft drinks, such as the pre-mix system currently being introduced by many parent companies, and greatly increased advertising expenditures by most parent companies, it looks as though all signs point to a big year. Of course, to a certain extent we are dependent upon favorable weather.

From the point of view of Hires alone, we also look for a good year, primarily because of a greatly expanded advertising and merchandising budget, increased selling organization, and more and better tools for this organization to use. More specifically, we anticipate our budgets for advertising and merchandising will be up approximately 15% again this year over last year.

Possibily the biggest factor in our expansion program will be an all-out concentrated effort to acquire new licensed bottlers throughout the United States and Canada. Currently we have in the vicinity of 300 such bottlers and are looking for a substantial increase.

We are also optimistic about the growth of our business to the armed forces overseas through the sale of our finished fountain syrup, and our most recent innovation of the sale of Hires in the 12-ounce can ready for consumption. This latter item in the short time which it has been available for the armed forces has been well received, and thus far is making excellent progress.

EUGENE HOLMAN

Chairman, Standard Oil Company (New Jersey)

The oil industry enjoyed a good year in 1955 and is entering the new year in a sound condition which will enable it to meet further increases in demand for its products.

Eugene Holman

The generally prosperous condition of the country has been reflected in operations of the petroleum industry in the United States, and it appears that the economy of this country will continue at a good level.

Abroad the outlook is also encouraging. In Western Europe, Latin America, and other parts of the world, the production of goods and services is proceeding at a high rate.

The approximately 8% growth in oil consumption in the United States in 1955 was considerably above forecasts made at the beginning of the year. In the non-Communist countries outside the United States, demand showed a rise of better than 11%. In 1956, the industry can expect to be called on to meet another increase of about 4% in the United States. Elsewhere in the Free World, our forecasts indicate a gain of around 7%.

As a sign of the confidence felt by the Jersey Standard management in the business future, we need only mention the record high 1956 plans of the company's operating affiliates for capital investments and other expenditures in the search for oil. These are estimated to aggregate approximately $1,100,000,000 for consolidated companies, plus another $100,000,000 for Jersey Standard's share in non-consolidated companies in which Jersey Standard holds an interest of 50% or less.

The total estimated expenditures are about 20% above similar figures for 1955. About $950,000,000 will be spent in the Western Hemisphere, where the Jersey Standard organization does about two-thirds of its business. Of this, $475,000,000 will be invested in the United States.

The year ahead will be characterized by further intense competition in the industry. Exploration for and development of new crude reserves has proceeded vigorously. New refining and transportation facilities have been built in many parts of the world. New organizations have entered the industry and are striving for a substantial share of the market, while longer established companies are making strong efforts to hold and increase their market positions. The ultimate beneficiary of all this competition is the consumer.

Rivalry has spurred still greater research activity and has led to further advances in petroleum technology. For example, the potentialities of radioactive substances as an aid in petroleum processing are being actively investigated. Some of the problems involved in drilling in substantial depths of water in the offshore areas are being overcome, although these operations continue to be much more expensive than those on land.

In a number of nations abroad the year has seen a trend toward legislation to stimulate the investment of private capital in oil operations. This reflects greater understanding of the fact that private companies and governments can effect a mutually beneficial relationship for oil development. In a few countries, on the other hand, excessive nationalism or failure to recognize the economic facts affecting international investment continue to obstruct the development of oil resources which could benefit the people.

The beginning of 1956 finds the industry in a strong position in respect to crude oil reserves, refining capacity, and oil-handling facilities. Some of this capacity is at times in excess of immediate needs. Although carrying such capacity is expensive, some margin of this kind is necessary and desirable. For example, the spare productivity of about 900,000 barrels daily with which the United States entered World War II enabled the industry to meet the extraordinary demands that followed. One has only to recall the outbreak of war in Korea or the events in Iran in 1951 to realize the importance of a cushion of extra capacity for emergencies.

Oil prices in general and crude oil particularly have remained stable during 1955. Although further rises in costs of steel and other materials as well as high wages and salaries are exerting upward pressure on prices, indications at this time are that this stability will continue at least for the immediate future.

We hope that the coming year will bring favorable action on legislation to clarify the Natural Gas Act and thus to remove handicaps recently put on natural gas production through court interpretation of the Act. The Harris-Fulbright bill for protection of the natural gas consumer through assurance of adequate supplies, now pending in Congress, would clear up the confusion now hampering the gas development so important to our nation.

Studies of oil imports, undertaken during the year by the Office of Defense Mobilization, have brought about wider realization of the vital part played by these imports in the Free World economic health and our own national security. They have highlighted, too, the importance of reasonable restraint and good business judgment on the part of oil-importing companies.

The current favorable outlook indicates that our company's earnings will continue at the high level needed to give adequate return to the stockholders and to provide the major portion of money required for expansion. Sales by Jersey's affiliates are showing a satisfactory increase in the face of increasingly competitive marketing conditions.

JOHN JAY HOPKINS

Chairman of the Board and President
General Dynamics Corporation

I have looked forward to 1956 as a year of revolutionary but constructive change in domestic and international affairs—in industry, in science, in medicine and in relations between nations.

John Jay Hopkins

My reasons for viewing the coming years with optimism are based on an expectation of continued advance in nuclear energy and in technology "around the atom."

Militarily, the deterrent effect of a deliverable H-bomb will continue, I believe, to have a cooling influence on the possibility of any large-scale, "hot" atomic war.

Rapid and hitherto unexpected technological advances in the development of atomic aircraft and in atomic submarines and surface ships are already revolutionizing sea power and air power. The impact of these atomic developments is already being felt industrially and commercially.

In domestic areas of high-cost conventional power such as New England, and in international areas, such as Japan where the cost of electric power is from two to five times our electric cost, the possibility of cheap electric power from the atom is effecting a revolution in morale, a change of economic base, and a revision of social, economic and historical perspectives. In underdeveloped nations, atomic power is now presenting a new and realizable hope for ending poverty, famine and disease.

There is only one aspect of the atomic revolution that is powerfully negative. So important is this fact, however, that it may be the key to our ultimate success or failure as a world power. Unless we solve our present shortage of nuclear, chemical and physical scientists and engineers, we shall not merely lose the atomic and aerodynamic race to our rivals, but our whole economy will change from a dynamic to a static state.

If we do not have enough competent personnel to exploit the tremendous potentials for constructive good that now have opened out before us, we shall, I fear, be compelled to shut the doors of our empty university, government and industrial laboratories. And if we shut these doors, we shall have shut the doors on American progress.

Activities at General Dynamics will, I hope, continue at the fast pace of 1955.

At the Electric Boat Division at Groton, Conn., we are finishing work on the second atomic submarine, the Seawolf, which was launched on July 21, 1955.

We have started work on a third A-sub, the Skate, the keel for which was laid the day the Seawolf was launched, and have been designated to build two more A-subs under the current program of the Defense Department.

In addition, we are building a conventional submarine for the U. S. Navy and two for the Peruvian Navy.

At our Convair Division plant in Fort Worth, work is continuing on a developmental activity which will, we expect, ultimately lead to an atomic aircraft and we are also moving ahead on the B-58 supersonic jet bomber.

At Convair in San Diego, our first 440 Metropolitan airliner has been completed and we now have contracts for 67 of these with U. S. and overseas airlines. They replace the famous 340 Convair-Liner model. Convair-San Diego is also in production on the F-102A all-weather supersonic jet interceptor for the Air Force and the Convair plant at Pomona is heavily engaged in guided missile production.

The General Atomic Division and the Convair Division are currently working jointly on the development and ultimate construction of a medical research nuclear reactor for the Institute of Nuclear Medicine and Biology at the Lovelace Clinic, Albuquerque, N. M.

Canadair Limited, our Canadian subsidiary in Montreal, has been awarded a contract to design a "swimming-pool" type reactor at Chalk River, Ont., by Atomic Energy of Canada Ltd. (an agency of the Canadian Government). Canadair is also continuing its work on the maritime reconnaissance version of the four-motored Bristol Brittania and is making a joint study with Bristol Aeroplane of England and General Dynamics' Convair Division of a long-range commercial aircraft.

Canadair is also continuing its production of the Mark-VI F-86 Sabre jet fighters and the T-33 Silver Star jet trainers.

The Stromberg-Carlson Division with plants at Rochester and Los Angeles will continue its production of communications and electronics equipment and has taken over from Convair the responsibility for production of the Charactron tube, an electronic device which displays computer data 1,000 times faster than by conventional methods.

F. W. HUBBELL

President, Equitable Life Insurance Company of Iowa, Des Moines, Iowa

It is expected that 1956 will be another excellent year for the life insurance business. Favorable environment for the sale of insurance is created by increasing personal income and a growing population. Disposable personal income (personal income less personal taxes) has shown a gain in every year since 1938, including even the years of moderate decline in general business. There is no reason to expect 1956 to be an exception. We are going into the new year with the number of employed persons exceeding that of any previous year and with unemployment not far from the irreducible minimum. Stimulated by widespread wage increases and overtime work, average weekly earnings have been recording new highs, and wage contracts have been negotiated which will assure the continuance of high hourly rates. A reduction in personal income taxes is probable in this election year, which would further add to disposable personal income.

F. W. Hubbell

Confidence on the part of both consumers and businessmen is currently high. The pace of business expansion, however, will be slower and more irregular this year than in 1955. The business boom last year was sparked by sharp gains in consumer credit, which has now reached a level where its further growth must be at a slower rate. Some industries are beginning to bump against the ceilings of their capacity, and materials shortages and bottlenecks are developing in certain lines. This situation, together with the fact that some wage increases have been greater than the anticipated gains in productivity, highlights the danger of a renewal of the inflationary spiral. It is only the depressed farm prices which have thus far kept the over-all price level from moving upward.

There are some clouds on the economic horizon. Agriculture has not been sharing in the general prosperity. Secondly, it is probable that automobile production, one of the prime stimulants of the 1955 boom, cannot continue at last year's feverish pace. Residential construction, another major stimulant, has declined from the high level reached during the first half of 1955 and will probably continue in the months ahead below year-earlier levels. These factors, however, may be offset by strength in other segments of the economy, especially industrial and public construction.

Surveys of business plans for new plant and equipment expenditures indicate substantial gains over 1955. Construction of schools, highways and other public projects will continue to expand, and pressures are building up for increases in Federal Government spending. Inventory accumulation by business is likely to continue for a time because in most lines inventories are still moderate in relation to sales.

Even if a leveling off or a decline in general business should develop before the year is over, gains may be looked for in the life insurance business. As pointed out above, disposable personal income has tended to increase even in periods of moderately lower business. Moreover, the number of adults reaching 21 has now passed the low point and will start again to increase. Marriages and the establishment of new households this year should at least equal 1955, while the birth rate will continue at a high level. Life insurance in force and income of life insurance companies has shown a gain in every year since 1933, and assets of life companies have increased yearly over a much longer period. There is every reason to expect further gains this year.

Also in 1956 life insurance companies should continue to show favorable results in their investment operations. The net rate of interest (before Federal income taxes) earned by U. S. life insurance companies on in-

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Free World's Capital Needs in Next Five Years

requirements. Well, those that have met them find that far from working a hardship, our policy provides real benefits in the form of wider U. S. ownership.

Consider, for example, Rhodesian Selection Trust, Ltd. This important African copper producer was admitted to trading last July. In the past six months some two million American shares of the Company's stock changed hands, and the number of U. S. shareholders increased more than six-fold to 5,000.

This one case history does not, of course, blind us to the problem ahead. Foreign companies are not likely to break down the door in an effort to list, or to furnish the American investor with full information. On the other hand, our own requirements did not spring up overnight, nor were they accepted immediately by domestic companies. There is the classic story of the Stock Exchange official who some 85 years ago requested certain corporate information of a railroad and received this reply: "The Company makes no reports and publishes no statements — and have not done anything of the kind for the last five years." Yes, much shall have to be done in the way of slow, patient education before more foreign firms understand and accept our standards.

But I believe, by way of summary, that in the free world we are united behind a common economic goal—however difficult it may be to achieve. That goal calls for removing barriers impeding the flow of capital, and we shall achieve it simply because the U. S. needs raw materials, the free world needs U. S. capital, and the opportunities for both our friends and ourselves are fabulous. This is the 20th century application of Franklin's maxim about "A" and "B."

I believe the way has been cleared for fuller disclosure of corporate data. Foreign businessmen are aware of the wealth of material available to investors in this country. If in the long run they are to tap our capital markets effectively, they cannot afford to offer less information to United States investors.

I believe the trend to full disclosure is receiving its greatest impetus from the success of our own form of capitalism. Until the pattern is more marked however, I would still advise the average U. S. investor to look to domestic companies with foreign operations and foreign companies similar to those listed on our Exchange.

I believe, finally, we must look toward the day when foreign governments will remove frustrating exchange regulations, permit free convertibility of funds, recognize the sanctity of private property, repeal discriminatory tax laws, and offer U. S. corporations greater incentives to develop foreign properties.

History, I think, is on our side. It was Emerson who said, "we rail at trade, but the historian of the world will see that it (trade) was the principle of liberty, that it settled America, and destroyed feudalism and made peace . . . and kept peace. . . ."

How long before our goals are reached? There was another man who said, "he that can have patience can have what he will. . . ." And he added, as if he could look across 200 years in time to the threat of world Communism, "he who shall introduce into public affairs the principles of primitive Christianity, shall revolutionize the world." His name, of course, was Benjamin Franklin—and we are out to prove him right.

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A Case Against Federal Aid to Education

cational needs than is the Federal Government.

The Federal Debt is a staggering $1,697 per capita obligation. (1950).

We crowd the debt limit of $285 billion all the time.

Already the Federal Government takes in taxes three-fourths of all tax revenues; that trend ought to be reversed — not increased.

Many states have large unused borrowing capacity.

One-third of the states have almost no obligation bonds outstanding.

The states can dispose of long-term general obligation bonds at lower interest rates than can the Federal Government.

As of June 30, 1954, state and local governments had invested in Federal securities a total of $13.7 billion. They might well invest some of these funds in school buildings before asking for Federal assistance.

The people of the states impose their own debt limitations — the Federal Government does not control them.

State's Disposable Income

Let's look at the states and their potential; measured in terms of per capita income, the states look like this:

Disposable Income 1952

The Upper 3rd	The Lower 3rd
Nevada	Mississippi
Dist. of Columbia	Alabama
Delaware	Arkansas
Connecticut	No. Dakota
New York	So. Dakota
California	Tennessee
New Jersey	Kentucky
Illinois	Georgia
Ohio	No. Carolina
Michigan	So. Carolina
Washington	West Virginia
Kansas	Louisiana
Pennsylvania	Florida
Oregon	Virginia
Massachusetts	Oklahoma
Rhode Island	Vermont

It's rather fantastic to have the 10 richest states asking for help from the other states.

And of the 10 "poorest" states, three of them, Mississippi, Georgia and South Carolina are already making such progress as to indicate a mastery of their difficulties. As a good friend from Mississippi says, "what we need is not a subsidy—it's an educational and spiritual regeneration."

It's equally fantastic to ask California, which has increased its population 2½ million between 1940-1950 to share its income with Arkansas which lost 389,000 people in those same 10 years.

It's intriguing to know that whereas since 1940 Massachusetts has enjoyed an increase of 24% in income, Mississippi has increased 114%.

Will you pardon a local reference? If all the states in the union will make the same tax effort that Utah makes we can raise an additional $5 billion a year—and not have to lean on the Federal Government.

No Magic in Federal Treasury

The Federal Government cannot "give" anything to the states unless it first takes **it away** from the **people** and the institutions of those states. All taxable income and wealth are located within the borders of the 48 states.

If the Federal Government really wants to help the states and the local communities, let it take out less in taxes. **Let us leave** some **of** the **money** in the states and the states will take care of their own problems. The discretion which can **distribute** can as easily **assess** or **abate** or **collect.** And in the process can reduce bureaucratic costs of administration. **It is Sounder Business for those who spend the money to have to raise it.**

It is so easy to be generous with money provided from afar. It is a great safeguard to have to account immediately to those who pay the taxes.

If Federal collections seem less painful, they are likewise more dangerous.

The American people believe in education. They will respond to the needs of their local schools once those needs have been made perfectly clear. There is challenge in this thought for the businessmen of America. We should not be so niggardly with our school problems that we drive our school administrators to Uncle Sam.

But the argument against Federal Aid is not merely financial. **Basically, it is against further centralization of power in the Federal Government.**

The Federal Constitution makes no mention of education. From the beginning, the common school has been left to the local and state governments. There was wisdom in that provision. The best safeguard against Bureaucracy in education is to keep educational bureaucrats out of Washington.

The prevailing sentiment in the White House Conference was against Federal control of education.

Let's have no mistaken idea about the ultimate aim of the champions of Federal Aid. An appropriation of $300 million a year is not their objective. Their spokesmen talk in terms of $20 billion over a five year period. Can anyone be naive enough to believe that Congress will appropriate that kind of money without specifying where and how it is to be spent—and then checking to see that it is so spent?

Called by any other name, that's control.

Consider these quotations from men who have lived with our problem:

"If there is to be little or no Federal control accompanying Federal aid, what right have we to expect a major improvement of the education within states under the same leadership that they now have? Thus, if Federal aid is to bring about better schools, it seems apparent that there must be some Federal control." Dr. S. M. Brownell, Present, U. S. Commissioner of Education.

"You must either have Federal control and interference or you must have misappropriation of funds and waste." Dr. John J. Tigert, Former U. S. Commissioner of Education.

"The Committee is of the opinion that the distribution of Federal funds within a state is not a matter that should be left exclusively to state officials, in view of the source of the funds and the purpose for which the grants are recommended." President Roose-

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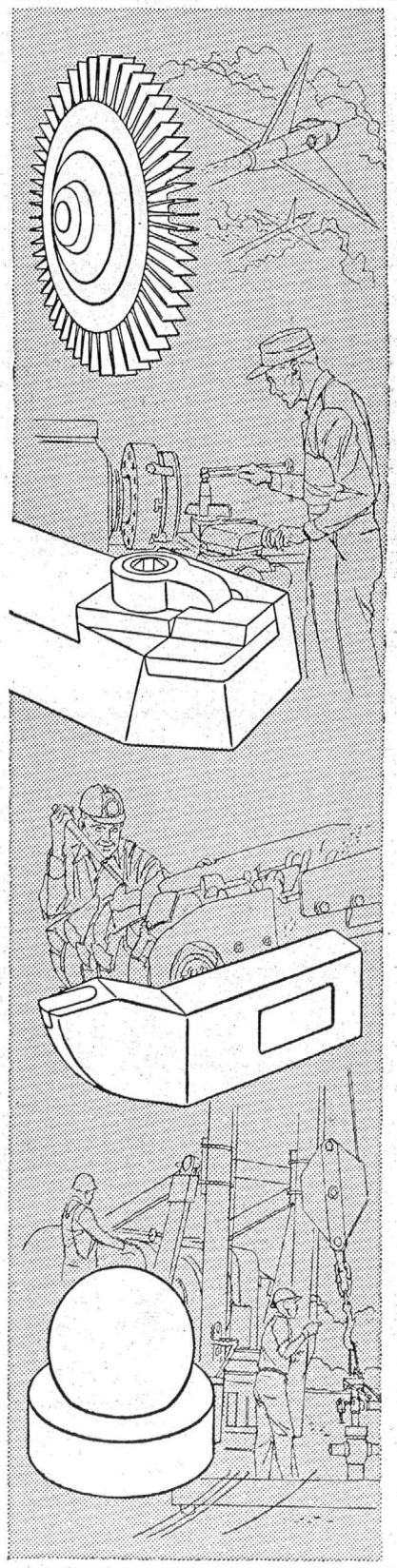

KENNAMETAL*

FIRST to revolutionize steel cutting operations FIRST ever since

A whole new concept of machining steel was introduced, 17 years ago, by tools made of a sintered tungsten carbide called Kennametal. These tools cut high-Brinell stock from three to ten times faster than tools made of steel . . . and they lasted many times as long. Production soared. Machining costs dropped. Maintenance and downtime shrank. The greatest obstacle to machine shop automation was overcome.

From this first Kennametal composition has grown a whole series of man-made miracle metals. Parts made of today's tungsten-base carbide compositions have even greater strength and resistance to shock. They are achieving spectacular results as tools, dies and wear parts in metal working, manufacturing and mining operations.

Kentanium,* a super-hard, titanium-base carbide, highly resistant to heat and corrosion, today is pushing through thermal barriers which have seriously limited improvement in many industrial operations.

Other Kennametal compositions are created for specific applications where great strength, hardness, resistance to heat, impact, abrasion, corrosion or any combination of these properties are required.

If yours is a problem which may be solved by any one or a combination of these properties, tell us about it. Adapting Kennametal to the specific needs of industry is an essential phase of our business. Write: KENNAMETAL INC., Latrobe, Pennsylvania.

*Registered Trademark

INDUSTRY AND KENNAMETAL ...Partners in Progress

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vested funds reached a low of 2.88% in 1947, but steadily increased in the following year, reaching 3.46% in 1954, with further improvement in 1955. The high rate of capital expenditures, both private and public, expected in 1956 should again assure adequate investment outlets for insurance company funds at reasonable rates of return.

H. E. HUMPHREYS, JR.

President, United States Rubber Company

United States Rubber Co. expects its sales in 1956 will pass the billion dollar mark for the first time in its history. This sales volume will represent a gain of between 8% and 10% over 1955. The 1955 sales of over 900 million dollars will set a record. We expect increased business in replacement passenger car and truck tires.

H. E. Humphreys, Jr.

Our business is expanding in plastics, plastic products, chemicals and synthetic rubber. We look for continued growth in footwear, foam rubber, industrial rubber goods, textiles and foreign business.

U. S. Rubber expects to spend about $36 million in new plants and equipment in 1956, which is about a million more than 1955 and $5 million more than the previous record of $31 million spent in 1954.

The rubber industry set a new sales record of $5¼ billion in 1955, and should exceed that record in 1956. Sales could go as high as $5¾ billion. Our estimate is that 1,500,000 long tons of rubber will be consumed by the industry in 1956, about the same as 1955. The general price level for rubber products increased slightly in 1955 due to higher raw material and labor costs. These higher prices, which will be reflected throughout all of next year, will contribute to the expected dollar sales increase although rubber consumption will remain about equal to 1955.

The proportion of synthetic rubber used by the industry will continue to rise, probably reaching 65% in the latter half of next year. About 60% of total rubber consumption was synthetic in 1955.

Industry demands for synthetic rubber have far exceeded plant production capacities, due partly to high prices for natural rubber and partly to the superiority of synthetic in many applications.

Synthetic rubber demand is expanding tremendously in foreign markets as well as domestic. Most of this demand is from such European countries as England, Germany, France and Italy. Consumption of synthetic rubber abroad next year will exceed 260,000 tons and could conceivably reach 300,000 tons despite the shortage of dollars. This compares with only 155,000 tons consumed abroad in 1955.

We look for passenger car and truck tire sales of approximately 103½ million units in 1956 compared to 103½ million units in 1955.

Replacement passenger tire sales will be about 2% higher in 1956 and should total about 51 million units. Truck tire replacement sales will be lower in 1956 by about 2% and should total about 8½ million units.

Sales of industrial rubber products should continue at a high level following the high level of over-all industrial activity.

Sales of foam cushioning should continue to increase with the biggest volume sold to the automotive and furniture industries.

Mild winters have brought about a decline in sales of waterproof footwear, but the growing demands for rubber-soled canvas shoes for sports and casual wear have more than offset this decline.

JOEL HUNTER

President, Crucible Steel Company of America

The strong demand for our stainless, tool and other alloy steels which prevailed throughout 1955 shows no signs of abatement. Present indications are that we'll be able to sell all we can produce at least through the first half of 1956. While some leveling off in the rate of business activity may occur later in the year, I look for the year as a whole to be as good or better than 1955. Inventory policies of customers play an especially important role in the stainless, tool and alloy steel business. Currently most of our customers would like to have larger inventories to match their increased manufacturing activities. This stimulus to demand may disappear when the rate of business activity flattens out. However, if the overall economy makes and holds at a plateau near its present position sometime this year, I believe we would still do a very satisfactory volume even without the incentive of inventory accumulation.

Joel Hunter

AUGUST IHLEFELD

President, Savings Bank Trust Company, New York City

The nation's mutual savings banks will again help to augment notably the supply of savings required to finance home building this year, as they did in 1955.

Outstanding mortgage loans of mutual savings banks registered a record increase of $2.5 billion last year. Mortgage holdings of savings banks now aggregate $17.3 billion, or over 60% of deposits.

August Ihlefeld

To provide more funds for making mortgage loans, savings banks have intensified their efforts to attract new deposits. As a result, their deposits increased by better than $1.8 billion last year, despite record consumer spending and the growth of public interest in the stock market.

Funds for mortgage lending also were secured through limited sales of government and corporate bonds. There has been a sustained demand for high grade bonds from pension funds. Through sales of bonds to satisfy this demand, savings banks helped to shift savings from a sector of the investment market having a surplus of money to the mortgage market, where a great demand has developed.

This year, savings banks expect to make a comparable major contribution towards expanding the limited supply of mortgage funds.

Thanks to the aggressive steps being taken to attract deposits, savings banks expect the deposit gain for 1956 to approach closely the almost $1.9 billion rise of last year. Some further shifting of bonds out of portfolios is likely also to provide additional funds for mortgage lending.

From these two sources and additions to surplus, savings banks should be in position to increase their outstanding mortgage loans by well over $2 billion for 1956. The total amount of mortgage loans made during the year will be larger than in 1955; also, greater amortization receipts and mortgage satisfaction payments will offset new loans to a larger extent than in 1955.

Through favoring government-underwritten mortgages, and selecting conventional loans carefully, savings banks safeguard the high quality of their portfolios while gradually increasing earnings. This policy expands the supply of savings available to finance home building, and so protects the economy from inflationary consequences of the residential construction boom. It also helps savings banks to pay an attractive rate of return on deposits so as to provide an additional stimulus to thrift. Savings banks thus seek to perform their basic economic function of encouraging thrift to assure that the savings supply will be adequate to meet the demand for long-term funds.

HON. IRVING M. IVES

U. S. Senator from New York

The springboard for an evaluation of the legislative picture in this second session of the 84th Congress centers upon President Eisenhower's admirable State of the Union message. Together with his evaluation of the domestic and foreign scenes after three years of stewardship, the President has painted in broad strokes a vigorous program for an expanding economy and constructive leadership abroad. The extent of the cooperation to be forthcoming from the present majority party in the House of Representatives and the Senate will determine the success or failure of major portions of the Eisenhower blueprint.

Irving M. Ives

An election year raises many imponderables in sizing up the legislative outlook. Unfortunately, the first session of this Congress failed to take needed action on important pieces of legislation affecting the welfare of the American people. Included were President Eisenhower's program on school construction, national highways, public health, and atoms for peace.

In addition to the above, agricultural policies, disaster aid, social security, budget and tax matters, foreign aid, resources conservation, among others, await legislative attention.

The fiscal situation is most encouraging. The President's forecast of a balanced budget for the current fiscal year—as well as the succeeding one—deserves every emphasis. To a nation where deficit spending had appeared to become part and parcel of governmental policy, the objective of a balanced budget indeed appeared remote three short years ago. Despite the burdens of the budget legacy inherited from previous Administrations and the ever-present threat of Soviet aggression, the Eisenhower Administration has succeeded in reducing Federal outlays by more than $10 billion and, at the same time, has provided the American taxpayers with a tax cut of some $7½ billion. This dedication to fiscal efficiency and integrity has not precluded the continual strengthening of our national defenses nor lessened the Administration's concern for the welfare of all the people.

I have dwelt at some length on the achievement of financial stability because it is especially indicative of the faith of our present leadership in this nation's free economy and in the capabilities of free men. The continued progress of this country is dependent upon the implementation of policies designed to give added impetus to a competitive economy. The President has outlined a program designed to this end.

In his State of the Union message, President Eisenhower reiterated the objectives of his Administration: The discharge of our world responsibility; the constant improvement of our national security; fiscal integrity; the fostering of a strong economy; and the response to human concerns. As the second session of the 84th Congress gets under way, I am hopeful that partisanship will not hinder the attainment of these worthy goals, essential to the welfare and security of the American people.

MARTENS H. ISENBERG

President, Combustion Engineering, Inc.

Nineteen hundred and fifty-six promises to be a very good year for companies engaged in supplying the equipment needs of the power industry. Speaking for my own company, which derives 60 to 70% of its dollar volume from sales of boilers to electric utilities, we are entering the year with the largest backlog of unfilled orders in our history. This is largely the result of the heavy volume of utility orders placed during the past year.

Martens H. Isenberg

Long range estimates of the country's needs for electricity have been so widely publicized in recent years that I will not dwell on them here other than to say that all indications point to the necessity for doubling generating capacity in the next 10 years and doubling it again in the following 10 years. Such growth will create an average annual demand for boilers, turbines and associated equipment far in excess of anything known in the past. Manufacturers in our field have been preparing to meet this demand and are continuing to do so. My own company, for example, has doubled its production capacity in the past five years and is presently engaged in expansion programs that will entail a still higher rate of capital outlay for 1956 and 1957. Much of this new expansion will relate to facilities for the development and manufacture of nuclear power reactors.

Present indications are that utility equipment buying will continue at a high rate in 1956 and the prospects for industrial boiler volume are also very promising.

All in all, the coming year should be substantially better than 1955 for companies serving the power industry, not only in earnings but in further growth of backlog applicable to earnings in 1957 and later.

N. BAXTER JACKSON

Chairman, Chemical Corn Exchange Bank, N. Y. City

The most significant banking development during the past year was the sharp increase in loans made by the nation's commercial banks.

Most economic barometers suggest another year of prosperity for American business in 1956. Large capital expenditures have been budgeted by many industries, including steel and aluminum companies, public utilities, chemical manufacturers and airlines. A heavy volume of highway construction and commercial building is scheduled.

N. Baxter Jackson

This expansion by basic industries is augmented by the rapid development of a new age of atomic energy and automation, both of which assure higher standards of living and the employment of larger amounts of capital.

Thus, the long-term outlook for banking is one of greater opportunities. An increased need for bank credit is obvious. The lending of funds promises to be more remunerative than has been the case for the last 20 years.

Our Administration in Washington deserves the highest commendation for the healthy state of the nation's economy. Determination to halt inflation and arrest the rise in living costs has proved effective through the practice of sound fiscal policies by the Treasury and good monetary and credit policies by the Federal Reserve Board.

It is essential that these policies be continued if American trade and industry are to maintain their dynamic growth. We know too well, from the experience of other countries as well as from our own nation's boom-bust episodes, how severely the economy suffers from inflationary and deflationary extremes.

Sound monetary policies also are fundamental in the solution of agricultural problems which have resulted from many years of interference with supply-demand ratios. Certainly industrial prosperity is essential for the profitable marketing of crops; and a stable dollar is vital to protect the purchasing power of our rural as well as our urban population.

We would again call attention to the continuing inequity of the different percentages of reserve requirements between the various banking centers. It is our hope that a satisfactory solution will be developed. We feel that a complete study of the present reserve formula should be authorized. It is our belief also that assessments imposed for Federal Deposit Insurance are unnecessarily high.

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A Case Against Federal Aid to Education

velt's Advisory Committee on Education.

The final answer against Federal Aid is that it leads to nationalization and socialization. To take over the process of inculcating ideals into the minds of children is the final step in the program of Socialism. Freedom isn't lost overnight. It is forfeited in a long slow process in which we forget to fight for it.

More eloquent than any argument against Federal control is an experience which I recently enjoyed in a little town in the northern part of my state. A school days' friend, left a widow years ago to provide for her five children had invited me to take dinner with her family. She explained that the fare would be simple but said: "I have taught my children that we'll eat our own bread for when anybody gives you a slice of bread — he takes from you a chunk of your freedom."

We've had campaigns for Federal aid ever since 1872. But we've never seen such a one as is now being waged and which will focus upon the 1956 session of Congress. It promises to be a political fight of the first order. If President Eisenhower feels under the necessity of **doing something**, may we not well suggest this procedure.

Let whatever Federal aid is proposed be limited under two restrictions:

(1) Cases of extreme need in the few states which can prove: Dire need (spelled out in detail); unavailable resources; full use of borrowing capacity; a disposition to sacrifice for the education they want.

(2) Federal aid to be extended upon an emergency basis—for a specified time. Let the termination date be fixed, and let no bureaucratic machinery be set up which can so easily and inevitably tend toward perpetuation.

And let the whole program be set up by men other than those who stand to be beneficiaries in office under the emergency.

One final word to the men of N.A.M.

You have carried on valiantly in many a crisis. You now face one of your greatest challenges. If you do nothing—you will have Federal Aid.

May I suggest a new connotation to N.A.M.:

"NOW AMERICA—MOVE!"

N. Y. Security Dealers Elect Officers for 1956

Eugene G. Statter, of Hoit, Rose & Co., has been elected President of the New York Security Dealers Association, the Association announced today. Elbridge H. Smith of Stryker & Brown, and Hanns E. Kuehner, of Joyce, Kuehner & Co., were

Eugene G. Statter

Elbridge H. Smith

Hanns E. Kuehner

Herbert Singer

Samuel Weinberg

elected Vice-Presidents of the Association, and Herbert Singer, of Singer, Bean & Mackie, Inc. was elected Secretary. Samuel Weinberg, of S. Weinberg & Co., was elected Treasurer.

The Board of Governors of the Association elected at the Annual Meeting will consist of: Harry R. Amott, Amott, Baker & Co., Inc.; Philip L. Carret, Granbery, Marache & Co.; Frank Dunne, Dunne & Co.; Maurice Hart, New York Hanseatic Corp.; Herbert D. Knox, H. D. Knox & Co., Inc.; Hanns E. Kuehner, Joyce, Kuehner & Co.; David Morris, David Morris & Co.; Herbert Singer, Singer, Bean & Mackie, Inc.; Elbridge H. Smith, Stryker & Brown; Eugene G. Statter, Hoit, Rose & Co.; Oliver J. Troster, Troster, Singer & Co.; Samuel Weinberg, S. Weinberg & Co.

The Nominating Committee for 1956 is composed of: Charles M. Kearns of Kearns & Williams; Paul Emert of W. L. Canady & Company, Inc.; Robert I. Herzog of Herzog & Co.; Edward T. Willis of M. A. Schapiro & Co., Inc.

Dean Witter Co. Will Admit Four Partners

SAN FRANCISCO, Calif.—Dean Witter & Co., 45 Montgomery St., members of the New York and San Francisco Stock Exchanges will admit to partnership on Feb. 1st, Harold D. Barnard, Jr. of San Jose, Jo L. Fuller of Honolulu, F. Linden Naylor of Oakland and Richard B. Putney of Los Angeles.

Bache & Co. to Admit

Henry C. Hofheimer II will be admitted to limited partnership in Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1. Morton F. Stern, William J. Flynn, Walter A. Schiffer, member of the Exchange, and C. Kenneth Smith will retire from the firm Jan. 31. John M. Goldsmith, limited partner will become a general partner effective Feb. 1.

Van Alstyne Noel Co. To Admit McElnea

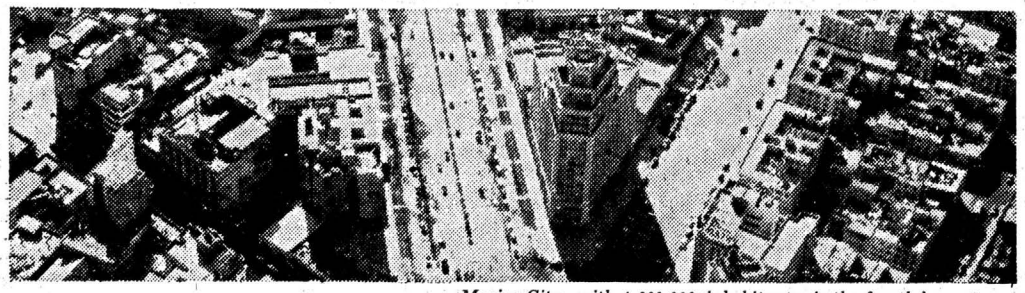
Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange on Feb. 1 will admit William H. McElnea, Jr. to partnership.

Baker, Weeks Admits

PHILADELPHIA, Pa.—Charles L. Barndt will become a partner in Baker, Weeks & Co., Philadelphia National Bank Building, members of the New York Stock Exchange on Jan. 26.

Hawkes & Co. Admit

On Feb. 1 Hawkes & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Robert H. Diamond and Francis M. Curr to general partnership and Robert E. Barnhart and Chester P. Davis, Jr. to limited partnership.



Mexico City, with 4,000,000 inhabitants, is the fourth largest city in the Western Hemisphere--twelfth largest city in the world

MEXICO ~ *new industrial frontier..!*

In Mexico today there are many industrial opportunities for foreign investment in friendly partnership with Mexican private capital and know-how. Lower taxes, an abundant supply of raw materials, ample labor and power combine in the Central Zone of Mexico--served by The Mexican Light and Power Company--with an expanding market to offer economic opportunity in a climate of modern industrial development.

Mexico's production is constantly increasing. The generation and consumption of electric power last year were the highest in the country's history. In the Central Zone, more than 2-3/4 billion kilowatt hours were generated in 1955, an increase of nearly 10% over 1954.

The demand for light and power is steadily growing, but thanks to long-range planning, the cooperation of the Mexican Government and the heavy investments made over many years to expand our generation and distribution facilities, plenty of power is still available for new industry. And we have taken the first steps in a $ 200 million expansion program over the next 10 years to make sure that our customers can continue to count on all the light and power they need.

50 YEARS OF SERVICE

The Mexican Light and Power Company, Limited

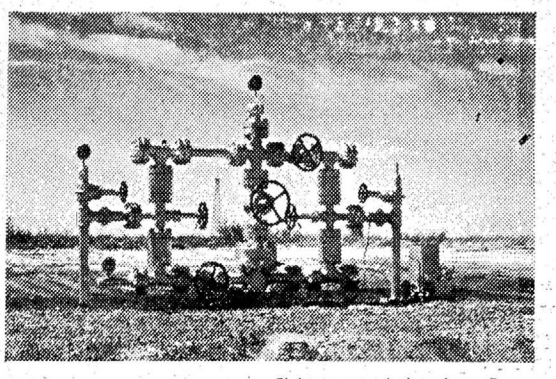
A privately owned utility serving Mexico for over 50 years.

SUNRAY MID-CONTINENT

is keeping pace with

industry trends through

production of crude oil



Christmas tree—dual producer—Texas

and natural gas from

more than 9,000 wells in

the U.S.A. and Canada.

D-X is the brand name of quality products manufactured by D-X Sunray Oil Company, a wholly-owned subsidiary.

SUNRAY D-X PETROLEUM PRODUCTS

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GENERAL OFFICES SUNRAY BUILDING TULSA, OKLAHOMA

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B. B. JENNINGS

Chairman of the Board of Directors, Socony Mobil Oil Co., Inc.

If current business predictions hold true, the present year will be even more challenging for the petroleum industry than 1955 has been; competition on the sales level will be sharper, and—of probably greater importance—efforts in the field of research to develop new and better products and processes will be intensified.

B. Brewster Jennings

Research has always played a vital role in the oil business, but it is particularly significant that this past year has seen a number of oil companies, Socony Mobil among them, committed to large nuclear research programs. While it is doubtful that this new area of inquiry and experimentation will begin to bear fruit for some time, it is none the less safe to say that the very fact of its existence will have great and immediate impact on research programs generally. Certainly the entry of the petroleum industry into the field of nuclear research not only augurs well for the consuming public but, in addition, it testifies to the vision of the industry itself.

Instead of drawing back from this newest and most awesome of energy sources, the industry has taken the long view and welcomed it as a partner in a common task. One doesn't go too far out on a limb to predict that this attitude cannot but in the long run prove of great benefit to the industry and to all of mankind.

In this endeavor, competition—as it has always been—will be the key element. The long record of steadily higher product quality established by the industry over the years through research proves this point. Indeed, competitive research is chiefly responsible for the fact that the gallon of gasoline we buy today delivers one-and-a-half times as much energy as one purchased 25 years ago; and, in terms of cost of living, is bought at a lower price.

In this connection, it will be a significant victory for competition and free enterprise generally if Congress will see fit to return natural gas production to the area of competition where it belongs. There is no justification in peacetime for government regulation of the field price of this competitively-produced commodity.

GEORGE C. JOHNSON

President, The Dime Savings Bank of Brooklyn, N. Y.

The dollar volume of new home construction during 1956 will be as great, or perhaps greater, than in 1955, despite an expected 7 or 8% decline in the number of dwelling units built in the coming 12 months. Mortgage lending, accordingly, will continue at high levels.

George C. Johnson

Demand for new homes will continue strong throughout 1956, but these homes generally will cost more than those built in the past year. Therefore, actual dollar volume will equal or exceed the 1955 level, and probably will compensate for any drop in the number of housing starts. Homes will cost more because families are seeking larger houses; and land, labor and materials have advanced appreciably in price within the past year.

Mortgage money available for the financing of new home construction and purchase will be sufficient to support a continued high volume of building, especially in the New York area.

In other sections of the nation, the supply of mortgage funds will depend largely on the price of Government bonds and Federal fiscal policies.

Should the price of Government securities rise sufficiently above present levels, many institutions will be tempted to sell these securities and invest in mortgages.

Generally, the entire home building industry appears to be in a more sound and prosperous condition than at any time in the past. The population is increasing at an unprecedented rate. Personal income is at an all-time high, and every present indication points toward a continued stable and prosperous economy. All of these factors tend to create a demand for more and better homes.

Having originated and closed more home mortgage loans during 1955 than in any similar period in our bank's 96-year history, The Dime Savings Bank of Brooklyn looks forward to the coming 12 months with the expectation that 1956 will present another year of extremely intensive mortgage lending activity.

We believe that an adequate supply of mortgage money will be available to finance to continued high volume of residential construction within our lending area—particularly in Nassau and Suffolk Counties.

During the year just ended, The Dime of Brooklyn closed 8,692 mortgage loans for a total of $113,850,000. This is an increase of $33,937,000 from Dec. 31, 1954, or a gain of 42.4%. The 8,692 mortgages written in the past 12 months represent a 58.7% increase from the 5,475 closed during the previous year.

At the end of 1955, our bank had $547,824.992 invested in 70,262 first mortgage real estate loans. This was a net increase of $70,865,652 from the $476,959,340 thus invested a year ago.

We have in excess of 40,000 loans aggregating more than $364,000,000 in Nassau and Suffolk Counties alone. In Brooklyn, we hold approximately 13,500 mortgages totaling more than $75,000,000, or some 16% of our total mortgage portfolio.

Approximately 63.9% of the bank's total assets of $857,077,668 is now invested in first mortgages on real estate.

Because deposits are increasing at a record-breaking rate, while interest payments and satisfactions of existing mortgages are reaching all-time highs, we expect to have available substantial sums for mortgage lending throughout 1956.

GALE F. JOHNSTON

Vice-Chairman, Mercantile Trust Company, St. Louis, Mo.

The economy is now operating at a level close to maximum capacity, and efforts will be made by the monetary and fiscal authorities to maintain business activity at this level. There are apparently several factors which will lead to the maintenance of a high level in the immediate future. Businessmen are planning to proceed with enlarged programs of capital investment. The pressing nature of struggle between the Russians and the United States will probably lead to an expansion of both military and foreign economic aid expenditures. Construction expenditures will probably continue to advance for a time.

Gale F. Johnston

Consumers have been on a spending spree financed in part by an expansion of consumer credit. It is probable that they will reduce their purchases of durable consumers' goods this year while they pay off debts previously incurred. There seems to be little reason for believing that other types of consumer expenditures will be reduced, however. Later in the year disposable personal income may be increased as a result of a reduction in taxes. This increase in spendable income could result in increased volume of sales. The desirability of a reduction in taxes, when the economy is operating at capacity, is open to some question.

Business in this geographical section of the United States will undoubtedly be adversely affected by the continued decline in agricultural income. The depression in agriculture could spread to other sectors of the economy. There are other segments of the economy which should be watched for signs of weakness. The economy is undoubtedly near a turning point and, in spite of the fact that conditions appear favorable in the first half of the year, a moderate downturn may occur in the last half of 1956.

PAUL W. JOHNSTON

President, Erie Railroad Company

The soundness of our nation's economy, plus the favorable predictions of businessmen and government and private economists, add to our confidence that railroad freight traffic will continue at a high level in 1956.

We are particularly encouraged on the Erie Railroad because of the increased industrial activity all along our railroad and the industrial growth that has taken place in the last few years in the area served by the Erie. Notable among the new plants which have located on our line are the world's largest automobile assembly plant of the Ford Motor Co. at Mahwah, N. J., and a General Motors Fisher Body stamping plant at Mansfield, Ohio.

P. W. Johnston

We are fortunate that the freight tonnage we handle is diversified, with a good balance as between products of agriculture, coal, iron and steel, automobile parts and other manufactured articles. All of these industries are optimistic about the prospects for the coming year. This anticipated high level of production should, of course, be reflected in a good volume of rail traffic that will be available to us. We are planning our operations with a view toward sharing in the expanded business opportunities.

Based on our appraisal of potential traffic, we believe our gross revenues in 1956 will be about 8% better than in 1955.

Our expenses will be higher because of wage increases granted to employes. A request for a 7% increase in freight rates has been filed with the Interstate Commerce Commission to offset the higher wage costs. With prompt approval of this application, we expect our net earnings per share of common stock will be higher than in 1955.

We hope to accomplish this not only as a result of the anticipated increase in traffic volume but because of the operating economies which stem from the large capital improvements we have made in recent years for such things as diesel locomotives, mechanized track equipment, automatic crossing protection and other cost saving devices. Several projects are under way for further improvement in efficiency and economy, particularly in the consolidation of duplicate facilities with other railroads, including a plan to reduce excessive losses now being incurred in the operation of commuter service in the northern New Jersey area.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

Illinois Central Railroad net income for 1955 estimated at $25,810,000, or $8.37 per share, is expected to be the third highest in the company's 105-year history. This compares with net income of $22,014,194, or $7.14 per share in 1954. Net income for 1955 was exceeded only in 1950 and 1953 when net income was $29,412,000 and $26,369,000, respectively. Net income in 1950, however, included approximately $5,650,000 non-recurring income applicable to prior years.

Wayne A. Johnston

Operating revenues for 1955 are estimated to be about $290 million compared with $276 million in 1954. Operating expenses for the year will be approximately $211 million as compared with $209 million in 1954.

Operating revenues for 1956 are expected to equal those of 1955, based on comprehensive traffic surveys conducted by the railroad. It is also anticipated operating expenses for the coming year will exceed 1955 by about $3,500,000. If the pattern established during the latter part of 1955 relating to wage increases, including payroll taxes, and fringe benefits is extended to all employees, the additional cost to the railroad will be about $11 million annually. In addition, an increase from one-half percent to one and one-half percent in payroll taxes for unemployment and sickness benefits to employees will increase costs another $1,250,000.

Improvements

The 1956 budget for capital expenditures will require $35,166,000, of which $7,147,000 is for roadway, $638,000 for shop machinery, and $27,381,000 for equipment. It is proposed to issue two equipment trusts early in 1956 totaling $18,600,000 to cover 75% of the cost of equipment to be acquired.

Roadway improvements planned for 1956 include 150 track miles of new rail costing about $6,215,000, of which $863,000 is chargeable to capital account, bridge work, $1,657,000, Randolph Street (Chicago) suburban station improvements, $93,000, and changes in company-owned and industry tracks, $580,000. It is also planned to spend about $605,000 to extend sidings to accommodate longer trains and $375,000 to install diesel repair facilities at Markham and Hawthorne Yards, Chicago. Various other improvements will cost about $3 million.

New Equipment will cost about $25,400,000. The budget calls for the purchase of 70 general-purpose diesel locomotives to cost $11,900,000. The Illinois Central now has 171 switching, 166 freight and 42 passenger diesels, a total of 379 units. Delivery of the 70 additional locomotives during 1956 will increase ownership to 449 diesel units of all kinds. The assignment of the new motive power will result in complete dieselization of all of the railroad's lines north of the Ohio River. With the use of this new equipment, 4,258 road miles, or 65.2% of the total road miles of the Illinois Central, will be dieselized. It is anticipated that the additional diesel locomotives will produce savings of between 20 and 25% on investment.

The 1956 freight car program provides for the construction of 2,000 boxcars in the Illinois Central's shop at Centralia, Ill., at a cost of $13,500,000. Also planned is the equipping of 150 freight cars for specialty loading. During the coming year it is proposed to make extensive repairs to 14,000 freight cars at a cost of $6,239,000.

The 1956 capital expenditures budget exceeds that of 1955 by more than $15 million. During 1955 the Illinois Central acquired 70 general-purpose locomotives, 100 seventy-ton covered hopper cars, ten Airslide cars, and constructed 35 boxcars at Centralia Shops. One hundred freight cars were equipped for specialty loading, and approximately 200 track miles of new rail was laid. Repairs were made to 12,000 freight cars, giving the Illinois Central a ratio of cars awaiting repairs to total ownership of less than 2%, one of the best ratios in the industry.

Fiscal Policy

During 1955 the directors of the Illinois Central voted to increase the dividend rate on the common shares from $3.00 to $3.50 a share on an annual basis. This increase places annual payments on a basis equal to that prevailing from 1905 to 1930, inclusive, when the annual rate was $7.00 a share, except for a four-year period during World War I when a lesser amount was paid. The $3.50 rate reflects the two-for-one stock split effective June 1, 1954. There are 3,082,945 common share outstanding.

Traffic

During the year the Illinois Central opened traffic offices at Chattanooga, Tenn., Macon, Ga., and Greenville, S. C., bringing the sales and service offices throughout the United States and Canada, Mexico and Cuba to a total of 103.

Carloadings for 1955 are estimated at 2,150,000, an increase of 6% over 1954.

Coordinated rail-truck service was extended from Jackson to Gulfport, Miss., during the year. The Illinois Central now has 4,000 miles of rail-truck coordinated routes parallel to its lines.

Piggy-back service was introduced June 30 between Chicago and Memphis. Sixteen flatcars and 35 trailers provide daily service in both directions, Mondays through Fridays. Initially begun to handle LCL traffic at prevailing rates, the service was extended Oct. 1 to

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Color Television: A Billion Dollar Baby

RCA Merchandise Manager Mills hails color as industry's brightest hope and definite spur to total TV sales. Sees healthy inventory situation and growing second-set market.

The television industry, aided by the anticipated greatly increased sales of color receivers, can look forward to continued high dollar volume during 1956, it was predicted Jan. 10 by Allan B. Mills, Manager, Merchandise, RCA Victor Television Division, Radio Corporation of America.

Allan B. Mills

Speaking at a press conference in connection with the Winter Home Furnishings Market, Mr. Mills said:

"It may be that even with a good sound national economy, 1956 will not quite reach the unit sales total of 1955. After all, 1951 was a record year in unit sales. And so was 1955. The advent of color may have some effect on black-and-white sales. Nevertheless, with the real start of color at a materially increased average unit sales value, I look for 1956 dollar volume to compare very favorably with 1955."

Mr. Mills said color television "is a potential bonanza for the entire industry.

"I do not think it would be possible to overemphasize the importance of color television to our industry. Color is the brightest hope, I believe, that we have ever had in our industry, the phenomenal progress of black-and-white television notwithstanding. Color television is with us as a billion dollar baby.

"Color television will be an important part of RCA's sales and profit picture while we will continue to produce whatever quantity of black-and-white receivers are necessary to satisfy public demand."

Mr. Mills cited "a definite public trend away from price leaders toward better, higher-priced models" in black-and-white receivers.

"I expect that manufacturers will capitalize on this trend by promotional effort on specialty models, models designed for the second-set market, and new style approaches to tie in with colors and styles in line with current furniture promotions," he said.

Mr. Mills said the TV industry enters the new year in a "healthy condition" insofar as inventories are concerned.

"While total inventories this side of the consumer are high numerically, with respect to past experience, I do not believe that they are out of line with the current industry rate of sale. Combined manufacturer and distributor inventories declined somewhat during December—a healthy condition — and there is reason to believe that retailers bought cautiously during December and that inventories at the retail level are well in hand."

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard M. Karoff is now connected with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Two With White, Weld

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lucille B. Geyer and Henry G. Nichols, Jr. have been added to the staff of White, Weld & Co., 111 Devonshire Street.

Joins D. J. St. Germain

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Paul H. Gale has become associated with D. J. St. Germain & Co., 100 Chestnut Street.

Joins M. P. Giessing

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Mo.—Alfred E. Farrer, Jr. is now with M. P. Giessing & Co., 108 North Jefferson Street.

With Ellis, Holyoke

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—John R. McPhail has become connected with Ellis, Holyoke & Co., 134 North 13th Street.

With Arthur Krensky

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harold E. Sodekoff is now with Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

A. C. Allyn Adds

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky.—Richard R. French is now associated with A. C. Allyn and Company, Incorporated, 174 North Upper Street.

G. C. Grantham Opens

(Special to THE FINANCIAL CHRONICLE)

MONROE, La. — Grover C. Grantham is engaging in a securities business from offices at 408 Filhiol Avenue. Benny G. Christian is associated with him.

Kyger & Co. Formed

HOUSTON, Texas — Bryan H. Kyger, Jr. has formed Kyger & Co. with offices at 1746 West Main Street to engage in a securities business.

Securities Salesman's Corner

By JOHN DUTTON

Using the Tax Laws to Sell Mutual Funds

One of the most effective means of building a clientele is to evolve a method where you can meet people of substantial means and influence on a "favorable basis." Baron G. Helbig, who has had many years of successful experience as a practical investment dealer and has specialized in applying "tax saving plans" for his own clients, has presented what he terms a "Charity and Income Benefits Plan" in a recent issue of Modern Security Sales, which is edited by Ferd Nauheim and published by Kalb, Voorhis & Co., 25 Broad St., New York 4, N. Y., as a service to dealers interested in selling more Mutual Funds.

The Plan in Brief

This plan enables one to make a donation to his favorite charity, hospital, college or university during his lifetime by setting up an irrevocable trust. The beneficiary institution receives the principal only on the death of the donor, or parties designated as creators of the trust and they receive the income during his or their lifetime. (Trusts can be created by more than one person.)

On such irrevocable trusts made in favor of institutions where a charitable gift is involved, the Internal Revenue Bureau allows an income tax deduction based upon the life expectancy of those who receive the income. (Quoting from Helbig's article in MSS) "A man in the higher income tax bracket, say 50 years old, with a $50,000 a year gross income, the income tax would ordinarily run about $26,000. If he sets up an irrevocable trust fund of $41,000, he would pay only a little over $13,000 in income tax that year. He would save about 50% on his tax. This man would then have $41,000 in working assets, yielding him income for his lifetime, at a cost of about $28,000."

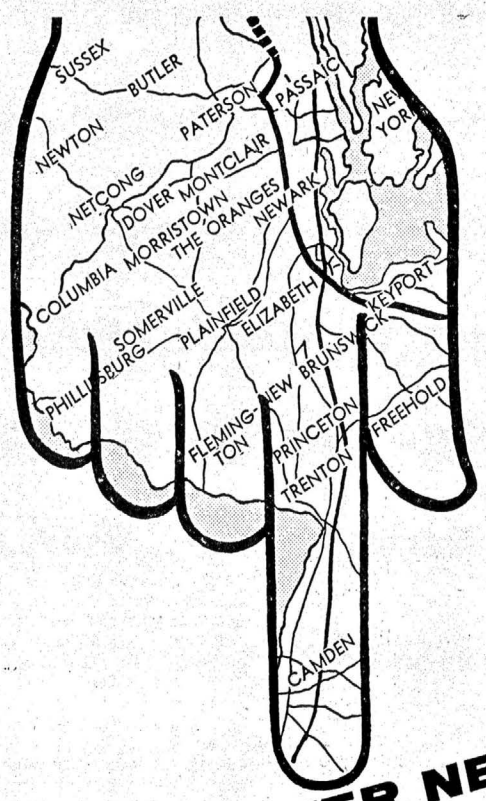
Under this plan the donor benefits through legal tax savings, he also is enabling his favorite charity or church, school, or hospital to be certain that upon his death they will receive the funds they have reserved for them in trust. This plan has an advantage over funds set up in "wills" as far as the beneficiary institution is concerned, since wills can be changed and this plan is irrevocable and definite. Once made there is no changing these irrevocable trusts.

How to Use the Plan to Sell Mutual Funds

MSS has developed the complete campaign and it is available to interested dealers. The plan includes sales letters, how to contact interested donors, mailing pieces and newspaper "mats." Also, figures of possible tax savings and the personal assistance of Mr. Helbig where it is desired is made possible through MSS.

One New York dealer, says MSS, after only a few months of effort has made sales of $200,000 using the Charity and Income Benefits Plan. A Florida dealer without literature and advertising has started to experiment with this plan and has just made $50,000 in sales.

What I believe is the most interesting aspect of this plan, as far as the selling feature is concerned, is that if properly presented, and a serious effort is made by a qualified salesman, that it makes it possible to meet high bracket investors on a dignified and favorable basis. Not only should business be developed for Mutual Funds but other business should also results from these contacts.



ALL OVER NEW JERSEY

You can *feel* the progress which is taking place throughout the state of New Jersey.

It's almost a contagious sort of feeling, spreading through industry, business, commercial establishments and new housing developments.

There is still *plenty of room* to grow in New Jersey, the Crossroads of the East. And Public Service is keeping pace with this growth by building and expanding our electric and gas facilities. With one new $100,000,000 generating station under construction at Linden, the company recently announced plans to build another station costing approximately $129,000,000 in Bergen County.

Never have we attempted to gaze into a crystal ball. But 1955 was wonderful and we see no reason why 1956 will not follow the same pattern.

Every yardstick indicates that New Jersey's leadership will be maintained in the years to come.

PUBLIC SERVICE

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embrace trailer-load shipments at rates competitive with common carrier highway operators.

A reduction of one day in the schedule of perishable shipments moving from Florida to Chicago markets was made effective in October.

Outlook General

While the outlook for the railroad industry appears to be favorable, conditions are not all they might be. The financial showing made by the nation's railroads has been a reflection of a period of unprecedented levels of economic activity. Even with the economy in high gear, however, railroads have fallen considerably short of earning even 6% on investment. In contrast, the return earned by other industry, banking and utilities ranged from approximately 8 to 12%. Other evidence that rails are not holding their own in relation to the economy as a whole can be found in the fact that a few short years ago railroads handled about 70% of all intercity traffic. Now their share of intercity traffic has slipped to less than 50% of the nation's total. This inequitable situation stems from an outmoded transportation policy.

Evidence that the national transportation policy is antiquated and out of balance is overwhelming. In recent years this fact has been borne out in the studies conducted by the Brookings Institute. The hearings held by the Senate as provided for in Senate Resolution 50 confirmed the fact that railroads were in an unfair competitive position as compared with other forms of transportation. Richard F. Mitchell, when Chairman of the Interstate Commerce Commission, said the time is long overdue when our transportation policy should be brought into step with the times.

In 1954 President Eisenhower appointed a Cabinet Committee to study revision of Federal transportation policy, and this report was released by the President early in 1955. While the recommendations contained in the report do not include all the things which the railroads would like to see dealt with, it does point in the right direction.

Major points made by the report are:

(1) Needless costs are imposed on common carriers and the public using them because government policies prevent the most economical use of the nation's transportation facilities.

(2) Railroads and other genuine common carriers should be allowed greater freedom in pricing services with regulatory agencies fixing only reasonable minimum and maximum rates.

(3) Regulation, to be effective, should rely chiefly upon competitive forces in rate making to enable each form of transportation to do its best work.

Our competitors, particularly waterway operators and truckers, have alleged that the railroads are seeking to destroy their business. This is pure nonsense. What the railroads are seeking is nothing more or less in the way of opportunity to compete than the highway or waterway operator already enjoys.

The Illinois Central and other railroads plan to throw their entire weight behind efforts to bring about legislation which will correct the inequities which now exist. It is our hope that these efforts will bring about a sounder common carrier system in this country. The report of the Committee is in the public interest, and those who would oppose it are acting to protect selfish advantages—advantages which ultimately must be paid for by the public in the cost of the things we buy, eat and wear.

DWIGHT P. JOYCE

Chairman and President, The Glidden Company

Increasing demand for paints, pigments and food products indicates that the year 1956 will be one of the most rewarding in the history of the Glidden Company.

This optimism is based largely on the excellent results of fiscal 1955 and on the fact that operations of all our company's divisions are continuing at a high level. Current business of our paint division, for example, can truly be said to be booming, and we are constantly adding new products and new colors to meet this demand. Volume of industrial paints and polyester resins has increased sharply and the trend is continuing.

Dwight P. Joyce

Today, major emphasis is being placed on chemical research for new raw materials in the form of different and improved resins, better solvents, and greater improvements in the technique of producing emulsions and bases capable of creating superior protective films for any type of surface.

Throughout the industry, researchers are working on the development of synthetic vehicles that will possess improved stability and other desirable properties. Undoubtedly these new vehicles will offer improved stability of cost.

Glidden already has achieved much progress in this direction, as illustrated by our butoxy resin development, a coating which is derived from petroleum, and silicone resin base industrial finishes for appliances, kitchen cabinets, metal furniture and hundreds of other products.

Our Durkee Famous Foods Division, which produces shortening, margarine, condiments, edible oils, spices, flavoring extracts, salad dressings and other food products for home and institutional use, has also been operating at a very high level and prospects for the year ahead are very promising. Recent changes in this division's food distributing organization should substantially reduce selling costs and aid toward increasing the profits of this division.

Operations of Glidden's Chemurgy Division in Chicago have been intensified, and sales of soybean-derived proteins and other chemicals are steadily increasing. "RG" Lecithin, a unique dietary food produced from edible soybean oil, continues to find national distribution and acceptance.

Our plant improvement and expansion program is progressing rapidly. Some recent additions include a new paint plant at Montreal; additions to the paint plants in Atlanta, Chicago, Cleveland, Reading and Toronto; additions to all four of our edible oil refineries; a new titanium dioxide plant in Baltimore, scheduled to open early this spring, and a $6,000,000 grain elevator on the Columet River in Chicago which is scheduled to begin operations this month. In addition, new facilities for the production of new soybean products and expansion of the company's capacity to produce terpene chemicals and related products at its Southern Chemical Division plants in Georgia and Florida will add measurably to Glidden's results in 1956.

Of paramount importance also in the coming year will be the continuing expansion of the Glidden Company's overseas markets. Glidden International, C. A., now in process of incorporation in Venezuela, is a wholly-owned subsidiary and will handle licensing, manufacturing and distribution of all Glidden products in all countries except the United States and Canada. Technological assistance agreements have been negotiated by Glidden International for 15 countries, with additional agreements currently under consideration.

The Glidden Company looks forward to a truly excellent showing in 1956.

DAN E. KARN

President, Consumers Power Company

The outlook for 1956 in the Outstate Michigan area served by Consumers Power Company is good—as is borne out by the fact that our company is planning to spend $89,000,000 during 1956 on expansion of its electric and natural gas service facilities.

Dan E. Karn

This is the largest one-year program in the company's history. It will bring the company's total investment in service facilities to more than $580,000,000 since World War II.

Our service area lies in 64 counties constituting most of the Lower Peninsula of Michigan, aside from the Detroit and Thumb areas, and has a population of about 3½ million people. The diversity of industry and business in this area is very important to the overall economy. Michigan is outstanding as an industrial state and, while the largest single industry is automobiles and automotive equipment, industrial production is well diversified. Chemicals, paper, furniture, machinery, household appliances, packaged foods are only a few of the many important products of the area. In agriculture Michigan ranks in the top third of the states and we supply electric service to over 100,000 farms. The dollar volume of tourist and resort business is nearly equal to that derived from farming and Michigan is one of the top five leading states.

Part of Consumers Power Company's continuing expansion program has been made necessary by growth of population, but a larger factor is the greater average use of electricity and natural gas by industries, commercial establishments and households. The increase in household use of electricity has been steady and we believe it will continue for some years. Every year sees additional electric appliances coming into general use, and some of these, such as air conditioners, have a pronounced effect on electric demand. We had a summer peak in 1955 that was greater than our winter peaks of previous years and we attribute this development partly to air conditioners, laundry dryers and other household appliances. The year 1956 will see a wider use of all electrical appliances.

Natural gas also has a tremendous growth potential in Outstate Michigan. Nearly half of our more than 420,000 natural gas customers now are heating their homes with gas, and more than 80,000 applications for natural gas heating service are on file with the company. Restrictions on the connecting of house heating customers have been in force for some years, but in each of the last seven years we have obtained authorization from the Michigan Public Service Commission to connect a substantial number. In 1955 it was 30,000. Before supply can catch up with demand, additional quantities of gas must be obtained.

Automobile production in 1955 has been exceptionally high and industry leaders believe 1956 will be a good year, though perhaps not a record year.

In other Michigan industries, also, the outlook is good. Michigan continues to attract a high percentage of the traveling and vacation public and our farming, including dairying and fruit-growing, is sound. I believe we will continue our upward trend in 1956.

WILLIAM G. KARNES

President, Beatrice Foods Co.

As we look forward to another year in the dairy and food industry, I am happy to say that the future looks favorable for increased per capita consumption and an increase in total consumption of all dairy products, including butter. The downtrend in per capita consumption of butter leveled off in 1952, and total dairy products consumed per capita has been increasing since then. Based on figures for the first nine months, in 1955, we had the largest single gain in per capita consumption of fluid milk that has occurred in any year since 1945.

Wm. G. Karnes

There is an ample supply of milk for all dairy products and the lower retail prices will continue to be very attractive to the housewife.

In addition to what looks like an upturn in per capita consumption, we have a steady and substantial increase in population each year.

The outlook probably is just as good or better for consumption of many of our non-dairy convenience food items, such as frozen foods, in 1956. The frozen foods industry has been growing rapidly and still is young. Consumption of frozen foods was of negligible importance up to 1940, but during the period since then, it has increased more than 1,000%. This has been a consistently fast moving growth all in a 15 year period, and, since frozen food volume still is such a small portion of total food consumed, there surely will be more growth in 1956—particularly in the precooked frozen food specialties of the "heat and eat" varieties.

America is continuing to eat more and more of these convenience foods. Volume on packaged convenience foods of all kinds—frozen, in cans, and dehydrated—will continue to grow. This definite trend will continue through 1956.

Analyzing the outlook from the standpoint of our company alone, Beatrice Foods Co.'s total unit sales of all departments combined have increased each year for the last 19 years, and 1955 was well ahead of 1954. The indication is that in 1956, unit sales in all major departments of the company again will be above the previous year.

At the same time costs are going up, and we are faced with narrowing profit margins. This applies generally in the dairy industry, and also throughout the entire food industry. Certain costs of distributing food, both wholesale and retail, have risen markedly during the last five years. Our company and countless other food processors and distributors have made tremendous effort to keep these increasing costs within bounds. One effective result has been the achieving of better processing and distributing efficiency—which has resulted in keeping consumer prices of many food items at a lower level.

This situation is very much the same that we faced a year ago at the beginning of 1955—narrowing profit margins, with the prospect of increased sales volume. Thus far our company has been able to effect economies and efficiencies—and sufficiently increase our unit volume through diversification and expanded sales effort—to produce the gross needed to take care of the increase in expenses and still increase our total net profit above a year ago.

What we will be able to achieve in the future of course remains to be seen. However, we are very optimistic about the future for the dairy products industry and food business generally because of continued high purchasing power and increasing population, both of which will contribute to increased volume in 1956.

McCLURE KELLEY

President, Baldwin-Lima-Hamilton Corporation

Baldwin - Lima - Hamilton Corporation makes an extremely varied line from small electronic measuring devices up through earth moving machinery, hydraulic turbines, testing machines, valves, governors, mechanical and hydraulic presses, can-making machinery, heavy machine tools and steel mill equipment, weldments, fabricated structures and locomotives. Among new items are light-weight high-speed hydraulic-driven locomotives, two of which are now under construction for the New York, New Haven & Hartford Railroad and a third for the New York Central Railroad. The company has an engineering group engaged in the design of ground handling equipment for guided missiles and is also working on the electronic and instrumentation phases of the missile field. Essentially all of this comes under the category of heavy machinery or capital goods and hence is sold to other industries or governmental bodies rather than consumers.

For the first six months, at least, present conditions of major buying seems indicated in industrial equipment and Baldwin-Lima-Hamilton looks forward to increasing moderately its sales volume in 1956 even though some non-profitable lines have been and will be dropped and other items will have taken their places. The corporation will enter the new year with a backlog 35% over Jan. 1, 1955. Two limiting factors have been present in 1955 and appear to be in prospect for early 1956, namely extremely competitive buying conditions narrowing the profit margins and a shortage of steel of which Baldwin-Lima-Hamilton consumes large quantities.

Baldwin-Lima-Hamilton plans to continue to consolidate, reorganize and modernize to the best of its ability

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its present properties. This involves elimination of some present uneconomic plant property and establishment of others such as a new plant in the Boston area in which its electronic and instrumentation plants would be consolidated. All of this reorganization and consolidation should present a better sales possibility and a more modern cost picture to improve in the future the sales volume and profit ratio. Some time, of course, will have to elapse before these objectives can be carried to completion.

DONALD S. KENNEDY

President, Oklahoma Gas & Electric Company

The 1956 outlook for business in our service area—Oklahoma and Western Arkansas—appears very good. Oklahoma Gas and Electric Company expects a gain of approximately 12% in kilowatt hour sales and 10% in revenues over 1955. Oklahoma has made great economic progress in recent years. She led the states in per capita income gain from 1950 to 1954, with a gain of 30% compared with 19% for the U. S. average. Oklahoma's average per capita income for 1954 was $1,466 compared with $1,127 in 1950. These data were released by the U. S. Department of Commerce in September, 1955.

Donald S. Kennedy

The growth of diversified small industries is continuing at a good pace in Oklahoma. Manufacturing payrolls in the State for 1954 amounted to $326,000,000, compared with $170,000,000 in 1950. (These figures do not include 20,000 civilian and 4,000 military personnel at Tinker Air Force Base in Oklahoma City engaged in the maintenance and modification of military aircraft.)

In spite of some adverse census estimates, reliable population data, such as school enrollment and births, all point to a steady growth of population in Oklahoma. The Bureau of Business Research at the University of Oklahoma, which compiles population estimates for each county in the State, shows an uninterrupted growth in population in Oklahoma each year since 1945. As for our own company, we know there has been a strong population growth in our service area. We have connected 50,000 new customers to our lines within the past five years within the same service area. Many of these new citizens come from other states.

The company's construction program is geared to this general expansion. Construction expenditures for the past five years totaled $90,000,000, and the estimated budgets for the next five years exceed $100,000,000. A 110,000 kilowatt addition to the Mustang Generating Station near Oklahoma City was placed in operation in May, 1955, and a 170,000 kilowatt addition to the Riverbank Generating Station near Muskogee in Eastern Oklahoma is now under construction, scheduled for operation in May, 1956.

The construction budget for 1956 is approximately $23,000,000. This will include work on a 170,000 kilowatt addition of the Horseshoe Lake Generating Station near Oklahoma City scheduled for operation in 1958. Another 170,000 kilowatt generating unit has been ordered for operation in 1959 or 1960. These large additions are necessary to keep pace with the rapid load growth in our area.

ALLEN S. KING

President, Northern States Power Company

In the territory served by Northern States Power Company all indications point to a continuation of the present high level of business activity in 1956. During the past year department store sales in the Ninth Federal Reserve District set a new high while agricultural production and cash farm income was also maintained at a relatively high level. Business in general in this area showed a decided increase in activity over the previous year as indicated by the sale of electricity and gas in the territory served in this area.

Allen S. King

The same rate of increase which saw Northern States Power Company's total gross revenues for 1955 rise to a record level of more than $126,000,000 may reasonably be expected to continue in 1956. NSP's gross revenues in 1955 were 7.3% higher than in 1954. Electric revenues increased 5.7% and gas revenues, reflecting the continuing development of space heating and increased supplies of natural gas, increased 20.5%.

Residential electric sales maintained a steady upward pace with kilowatt-hour sales rising 8.6% over 1954. This is accounted for by the increasing use of electricity in the home and the continuation of a high level of residential building that placed 14,000 additional residential customers on NSP lines. Although residential construction in 1956 is expected to decline somewhat from 1955 levels, it is anticipated that NSP will continue to show gains in residential sales.

Sales to commercial establishments showed a marked improvement in 1955 with an increase of 8% over 1954. Increased use of air conditioning during a very warm summer and the modernization of lighting in many stores and offices contributed to the growth of power use in this category.

Kilowatt-hour sales to manufacturing establishments, which had levelled off somewhat in the latter part of 1954 and the first half of 1955, showed a definite turn upward in the last half of 1955. During the first six months of 1955 sales to manufacturing establishments were down seven-tenths of 1% from the same period in 1954 but stepped up rapidly in the last half of 1955 to show an increase of 10%, bringing the increase for the year 1955 to 4.6% over 1954. Indications are that the upward trend in manufacturing kilowatt-hour sales will continue well into 1956.

Electric sales in the non-manufacturing category, including office and business buildings, retail department stores, theatres, hospitals, schools and the like, moved upward at an accelerated rate in 1955. The increase was 12% in 1955, compared to 10% in 1954.

Helping to account for this increase was the comparatively large number of office and store buildings built in cities served by NSP. A few of the larger building projects completed in 1955 or scheduled for completion this year include the Grants stores in Minneapolis and St. Paul, the Lutheran Brotherhood building and the Federal Reserve Bank addition in Minneapolis, the Minnesota Mutual Insurance building in St. Paul, the American Life building in Fargo, the Great Northern Refinery in Pine Bend, and the Great Northern Railroad classification yard in Minot.

NSP's benefits from construction programs of all kinds are cumulative. During construction of a building those engaged in the building trades industry benefit, but it is not until the building is completed and occupied that it becomes important as a customer for public utilities.

Northern States Power Company's construction budget for 1956 contemplates investments of $44,500,000 in new facilities. More than $6,000,000 of this total is for gas projects which contemplate bringing natural gas service to several cities where NSP now provides manufactured gas service.

Largest single expenditure during 1956 will be made in St. Paul where a new 100,000-kilowatt generating unit is being added to the High Bridge plant. This will bring the NSP system's generating capability to 1,457,205

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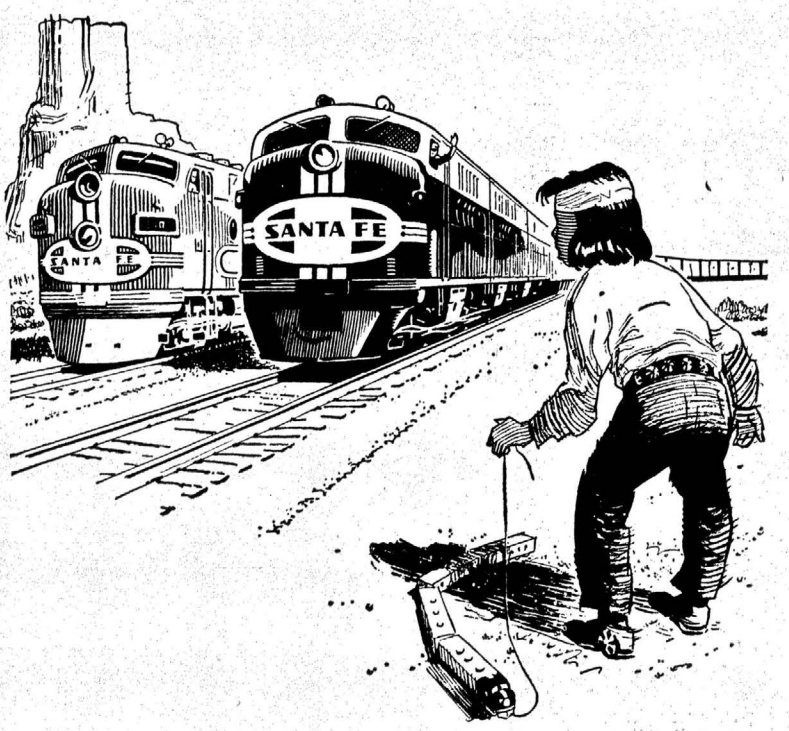
It pays to

Ship and Travel Santa Fe all the way!



Si, si, si, chico! It's more convenient and dependable to use only one railroad . . . and Santa Fe is the only railroad under one management linking Chicago, California, Colorado, Texas, and points in the busy southwest.

Santa Fe

SANTA FE SYSTEM LINES

Serving the West and Southwest

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kilowatts. NSP's system peak (simultaneous) for 1955 was set on Dec. 19 when the demand reached 1,097,850 kilowatts. This left NSP with a spare capacity of more than 250,000 kilowatts—a reserve of 24.1%.

HON. HARLEY M. KILGORE

U. S. Senator from West Virginia

As we enter 1956, our economic well-being is marred by an alarming deficiency. I refer to the many pockets of so-called "depressed areas" scattered throughout many areas of the country. Though we are inclined to boast of prosperity, it seems to me that no nation can be truly prosperous while many hundreds of thousands of its citizens and their families are victims of continuing unemployment, through no fault of their own.

Harley M. Kilgore

If this condition is allowed to continue through the coming year, it will be an ugly stain on the nation's record.

What are the causes why local communities are forced to suffer under this blight? Often, the reasons are beyond the control of the local citizenry and lie within the realm of national and international trade policy. Sometimes, a natural resource is depleted or the demand for it will peter out. Or else a big plant will close down, perhaps to move away. Another reason is so-called automation, the introduction of new machines which require fewer workers to maintain equal or increased production.

Latest figures from the Labor Department show that these conditions are widespread. Some 19 major industrial areas are suffering chronic unemployment ranging above 12%, while the same is true of some 64 minor areas.

A number of communities in my own state of West Virginia are on this list, including three major areas, of which Charleston, our largest labor market is one, and nine minor areas. Increased use of machinery in the coal mines has been particularly responsible for creating displaced coal miners. Coal production increased last year, yet it was mined by fewer workers in the pits.

The nation must take action to find jobs for these men and for all the others who are repaid for many years of honest toil by being thrown mercilessly on the unemployment rolls and who live in areas where new job opportunities are not available.

Last July, a number of Senators, including myself, responded to this urgent need by introducing S. 2663, the so-called "depressed areas" bill, which provides namely for a $100 million loan fund for new plant construction; $100 million in public works grants; a Depressed Areas Administration dealing directly with local industrial development committees; vocational training for displaced workers; and an added 13 weeks of unemployment compensation for workers being retrained.

Hearings on the bill were opened during the first week of the new Congressional session and it is hoped that action will be prompt. The Administration recognized the need for this type of legislation in October when the President received from his advisers a similar program for aid to depressed areas.

Legislation benefiting depressed areas must be on the "must" list of the new Congressional session. Our people, so swift to respond to need outside our borders, must come to the aid of their fellow-citizens who want to work but for whom there are no jobs. Unless action is taken promptly and successfully, this new year will be a year of want and deprivation for many Americans.

MAXWELL C. KING

President, Pacific Finance Corporation

The sales finance business is, of course, inextricably involved with the fortunes of the automotive industry. Although a record-breaking number of cars has rolled off the production lines during the past year, all signs indicate that the fabulous buying spree of 1955 has already slackened and will not sustain itself during the coming year. Another big problem that faces the sales finance industry is the increased cost of money. Prime interest rates on short-term bank loans and commercial paper are up to 3½% and 3%, respectively. The full impact of these increases will be felt in 1956 and will be reflected in earnings for the year. Our business, unlike many others, can do very little to pass these increases on to the customers in the form of higher prices since the realities of sales finance competition preclude adjustment on a widespread basis and our consumer loan rates are mostly regulated by law in the states in which we operate. Despite these considerations, the outlook for the sales finance industry in the coming year is favorable and we will continue our fight against so-called "crazy-terms" in cooperation with the other leading finance companies in the nation.

Maxwell C. King

In other general areas of consumer finance including consumer loans, which constitute an important segment of our business, there remains an ever-increasing readiness on the part of the American people to avail themselves of its advantages. We expect this readiness to be reflected in our business for the year as more and more new concepts of credit usage are developed. PF was a pioneer in the field of air travel credit and we look for continued expansion of this phase of our operations. During the past year, we have grown from 221 branch offices to 268 in 20 states and Canada, and October marked the end of our first full year of Canadian operations through Pacific Finance Corporation of Canada Ltd. We expect to continue to expand in both countries during the coming year through the choice of strategic locations under sound conditions.

Although auto production will not match 1955, I expect 1956 to be a very good year and I look for the continued growth of public recognition of the vital role this business plays in the dynamic economy of our country—a role the industry works constantly to improve.

ROBERT E. KINTNER

President, American Broadcasting Company

A $1.2 billion industry in 1955, radio and television broadcasting can expect to have an even greater year in 1956.

The overall economy of the country can of course affect it for better or for worse. However, within our industry, is a problem area which must be resolved if expansion is to continue in the future. This problem involves television allocations.

Under the present allocation plan of the Federal Communications Commission, Ultra High Frequency and Very High Frequency stations have been mixed together in a number of markets. Experience in the past four years has shown that UHF stations are generally unable to compete with VHF stations in these intermixed markets.

The FCC plan also reserves 75 VHF and 173 assignments for noncommercial educational purposes. To date, less than 20 educational television stations have begun operating and construction permits for only 16 more have been issued.

The aim of the 1952 FCC order was to provide at least one service to all areas, at least one station in the largest possible number of communities and multiple service in as many communities as possible to provide program choice and to facilitate competition.

The objective of at least one service to all areas has already been substantially realized. The objective of at least one station in the largest possible number of communities, is one which must await a substantial increase in the total revenues available to the television industry and a decrease in the average cost of station operation.

ABC believes the Commission should now make the third point, competitive multiple services to as many communities as possible, its first order of priority. This is necessary because the real deterrent to the development of a nationwide competitive system is the lack of at least three comparable television services in the major markets. Without this change, the economy of scarcity will continue and television broadcasting will fall short of realizing its potential, with the industry confronted by a virtual monopoly.

Briefly, ABC has proposed that deintermixture should be undertaken wherever possible and that the concept of reservations for educational purpose be re-examined and possibly replaced by the system used in radio broadcasting where there are no reservations and educational institutions apply on the same basis as all applicants.

With these proposals, and other modifications, three and possibly four or five, truly competitive television stations can be created in the great bulk of the top 100 markets.

ALLAN P. KIRBY

President, Alleghany Corporation

My feeling is that we are in a continuing inflationary trend which will last as far as one can see in the future, barring a catastrophe of some kind which completely upsets the economy. With an anticipated $700 million increase in Defense spending in 1956, with the very large amount of money waiting for investment in Pension Funds, together with the likewise large number of dollars in various kinds of Trusts, and with more and more wage increases putting a constantly greater number of dollars in the hands of the large majority of the American people, how can the trend help but be inflationary? Whether it is a healthy condition or not is another question.

Allan P. Kirby

There will, of course, be setbacks and readjustments from time to time, but I believe that our economy is now geared so that we cannot again have another debacle such as we had in 1929 to 1932. How good or how bad this inflationary trend is for the American economy, is anyone's guess and something that each must decide for himself. Personally, I feel that we can expect a day of reckoning in the future.

SHERMAN R. KNAPP

President, The Connecticut Light & Power Company

Connecticut industry is considered by many economic forecasters as a reliable barometer for business throughout the country. It has been said that Connecticut industry feels the effects of a recession first, and in turn is also in the forefront of recovery. This is explained by the fact that while Connecticut industry makes a goodly share of name brands, it is also the locale of parts manufacturing in substantial quantity. For this reason it is encouraging to note that our estimates of industrial power sales for 1956 show a very substantial increase over 1955, amounting to about 12%. This determination is in effect a consensus of opinion in that it represents the thinking of our field forces, who in turn base their forecasts very largely on information secured directly from manufacturers in the area.

Sherman R. Knapp

The floods of last August and October had a disastrous effect upon manufacturers, particularly in the Naugatuck Valley, but also in other areas, such as Putnam and Winsted. There was some question immediately after the floods whether the factories, many of which had been completely demolished, would be rehabilitated and reestablished in Connecticut. In almost every case, however, management expressed its faith in this area by immediately undertaking the reconstruction job, so that today, with only a few exceptions, they are now back in full production.

The Connecticut Light and Power Company, which is a participant, with other New England utilities, in the Yankee Atomic Electric Company, and is also a member of the Atomic Power Development Associates, is following closely the developments in the peacetime uses of atomic energy. We believe that atomic energy is going to play an important role in the future economic welfare of New England, not only in the field of power production, but in the many other potential uses of atomic energy as well. The well-developed technical skill of our labor force, and the opportunities for educational advancement make this area a fertile one for nuclear development.

FRANK F. KOLBE

President, The United Electric Coal Companies

For 1955, I predicted considerable improvement in the entire coal industry, and this was borne out by an increase in production of approximately 18% over a year ago.

The coal industry, which had been declining since 1948 (reaching a figure of 392,000,000 tons in 1954, or below 1939), made a dramatic turn-around. The strong upsurge of coal consumption in the electric power, steel, and general industries overcame a lessened decline in the railroad and retail fields to give us a strong reversal in demand and production of 465,000,000 tons.

Frank F. Kolbe

The improvement in production was matched by the improvement in consumption. The consumption of coal by electric utilities will increase about 20% for the year; by steel and coke industries, about 25%; by other industrials, about 10%. Exports overseas will be up about 135%.

Of the total of 337,300,000 tons of consumption in the U. S. from January through October, 295,077,000 tons, or 87%, were used by the electric utilities, steel and coke, and other industrials. Railroads and heating, which used 250,000,000 tons in 1945, are now down to 60,000,000 tons; however, this year they have shown but little decrease from a year ago. The Federal Power Commission has estimated that the electric power generated in 1965 will be twice what it is today, and it estimated that in 1975 the electric power generated will be three times what it is today.

The steel industry is looking forward to large increases in capacity, and general industry will increase with power and steel. The export market is another very bright spot in the coal picture. The use of electric power and also steel production are increasing the world over, and America is being called upon for fuels to make this possible.

Since 1940, the coal industry has had severe competition from oil and gas. There are some figures that give us hope that this competition will not increase as it has in the past. For the year ended Oct. 31, which are the latest figuers we have, the total consumption of fuel by the electric utilities increased in coal equivalent 22,939,594 tons over the year ended Oct. 31, 1954. Of this increase, coal supplied 21,380,965 tons, oil supplied the equivalent of 1,189,482 tons, and gas, the equivalent of only 369,147 tons. For the first time in years, almost all of the increase in the fuel demand of electric utilities was satisfied by coal.

The small increase in the amount of gas consumed by utilities is probably partly a reflection of the fact that the reserves of gas are not increasing as they have been in the past. In 1954, only as much gas was added to reserves as was consumed, and in 1955, while new reserves are expected to increase somewhat, they are not expected to increase at the rate that existed prior to 1954. Actually, less new gas has been discovered in each of the last 10 years than has been taken out. The increase in reserves has come from the recompution of gas in old

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fields. There are no longer large reserves of gas being pressed onto the market.

Coal has acquired a new competitor, atomic power. Technically, the problems have been solved; when they will be worked out economically, no one knows.

The coal picture at the present time is the brightest it has been in some years.

RAYMOND KOONTZ

President, Diebold Incorporated

Diebold, Incorporated, is engaged in the manufacture of a complete line of protective equipment for banks, including Bank Vaults, Safe Deposit Boxes, Teller's Protective Equipment and Burglar Alarm Equipment; and a wide line of Office Systems Equipment and Record Protection Equipment.

Raymond C. Koontz

We have enjoyed a very successful year in 1955 and expect 1956 to be another year of expanded sales volume.

The business of this company is very sensitive to changes in the volume of expenditures being spent nationally for capital equipment. The present outlook is that such expenditures will be high. This outlook, together with the fact that we presently have a substantial backlog of orders for 1956 delivery, leads us to take a very optimistic view of the coming year. Diebold, Incorporated, introduced in the latter part of 1954 and the early part of 1955 a radically new design in Bank Vault Doors and related equipment. This equipment is designed to complement the friendly, warm interiors which are the current trend in bank building design. These new products have been extremely successful and have, we believe, resulted in many banks planning to change their interiors in the year 1956 who would otherwise not have done so.

There is a possibility that our production in 1956 will be limited not by the demand for our products but by the shortage of metals.

Our 1955 sales volume exceeded 1954 by approximately 20% and we now expect that 1956 will show a 10% to 20% increase over 1955.

FRED LAZARUS, JR.

President, Federated Department Stores, Inc.

Federated Department Stores believes prospects in the U. S. retailing field for the first six months of 1956 are excellent and estimates that its own sales will, during this period, increase by 3 to 5% over the same period of 1955.

Fred Lazarus, Jr.

A survey of our own nine major divisions and their branches gives us confidence that our own sales will continue to expand steadily, based on our goal of constantly offering consumers in each of our communities the best in goods and services.

Our stores located in New York, Brooklyn, Milwaukee, Boston, Houston, Columbus, Dallas, Cincinnati and in Albuquerque, N. M.; Amarillo, Corpus Christi, Long View and Wichita Falls, Texas; Bakersfield, Pomona and Westwood Village, Los Angeles, California, and in Oklahoma City, represent a good cross-section of the total market. Thus, we believe, they truly reflect the national picture.

Federated, and we believe, most other major U. S. department store groups, feel that spring business will reflect the confidence felt both by the public, by distributors, and manufacturers.

We believe that the strong income and employment picture for spring, 1956, will provide us with an opportunity to develop our business in medium- and better-grade merchandise. We feel that our increases will come not only in home furnishings lines but also in fashion goods—men's, women's and children's.

Federated Stores are continually adjusting our inventory position to keep it in realistic line with our sales. We believe such action is important because it allows us to have fresh, new merchandise on hand at all times.

There has been considerable comment in recent months on the increased amount of consumer credit outstanding. Federated has not been uneasy over this situation. Customers in our stores have been meeting their credit obligations in an excellent manner. Delinquencies are extremely low, for the American family buys with care. We feel that consumer credit is an important tool by which the American standard of living is improved and employment in our factories kept at a high level. It is our conviction that the credit situation in the first six months of 1956 will continue on a satisfactory basis.

Over the past three years, prices of most consumer items sold in our stores have remained stable. In fact, there has been a slight reduction in the price of some items of merchandise and certainly an improvement in the value of many others. We now see, however, an indication of a small upward change in price levels.

Several branch stores are now on the drawing boards and the enlargement of our Houston store, Foley's, is proceeding according to plan. This program is substantially greater than that of 1955.

Federated feels that during 1956 the public will continue to spend generously for things it needs and wants, and that alert, well-managed department stores are the most suitable vehicle of mass distribution providing the merchandise and service wanted in both urban and suburban areas.

G. V. LEECE

President, Gardner-Denver Company

Based on surveys directed toward the petroleum drilling and production outlook, also further studies into mining, industrial and contracting projects, our company is looking forward to a very satisfactory year in 1956.

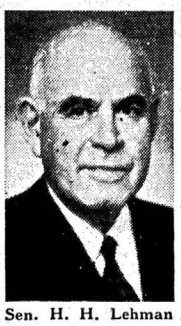
G. V. Leece

It is our intention to make rather substantial investments in the way of production machinery to prepare us for an increase in demand for our products coming from the four general sources mentioned above.

HON. HERBERT H. LEHMAN

U. S. Senator from New York

I have been asked to discuss the legislative prospects for 1956. I find this a very difficult question to answer. It is impossible to say at this early stage of the session what will be accomplished before Congress adjourns this summer. The problem is made even more complicated by the fact that this is a Presidential election year.


Sen. H. H. Lehman

Although I cannot predict what will be accomplished during the present session, I have some very definite views about what needs to be done—what must be done—during the 2nd session of the 84th Congress. Congress took action on a number of important measures last year. But in many instances the legislation enacted was completely inadequate. The new minimum wage law is one example. I sponsored a bill to increase the minimum wage to $1.25 an hour. The law that was passed raised the minimum to only $1.00. My proposal called for an extension of coverage to 9,000,000 people not then included. The law made no change in coverage. In his State of the Union Message, the President repeated the general recommendation he made last year that coverage be broadened, but he has never made recommendations for including specific groups or individuals. I hope Congress will reconsider the question at this session.

Another example of inadequate legislation was the housing law The public housing program was extended but only for one year and the number of public housing units authorized for construction was far less than the minimum number needed to meet the housing needs of our citizens. No action was taken on proposals introduced by myself and some of my colleagues to provide a housing program for the older members of our population.

The President's message contains recommendations for the same kind of token public housing program the Administration has been making for three years.. It calls for no long-term program which is essential if we are to meet the housing needs of our citizens. It makes no provision to meet the housing deeds of certain segments of our population such as the elderly. Senator Sparkman and I, along with several other members of the Senate, introduced a bill for this purpose on Jan. 5 and I expect to introduce a comprehensive housing bill shortly. These two measures, taken together, comprise what I consider a minimum housing program for the nation. It is my hope that Congress will approve it before the end of the session.

I am concerned about these things, but I am just as concerned about the failure of Congress to act at all on a great many vital issues. And I am even more disturbed because of the character of the recommendations in the State of the Union Message. Nothing was done about the civil rights question. If the President's recommendations are followed, we are not likely to see action this session either. Appointment of another commission foretells only further delay and refusal to face up to the issue. Federal aid to education is an unsettled question which is dealt with by the President in nothing but glittering generalities. Recommendations for immigration reform and for improvements in the Refugee Relief Act are promising, but they do not get to the heart of the matter — the bigoted National Origins Quota System. Action must be completed on statehood for *both* Hawaii and Alaska—not just for Hawaii as the Administration

Continued on page 96

Rhode Island

HOSPITAL TRUST COMPANY

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

Statement, December 31, 1955

RESOURCES

Cash and Due from Banks		$ 57,067,214.79
U. S. Government Obligations		96,714,521.61
Obligations of U. S. Government Agencies		2,176,500.00
State and Municipal Obligations		15,970,070.18
Other Bonds		823,121.46
Stock of Federal Reserve Bank		525,600.00
Other Stocks		414,796.31
Loans and Discounts		145,225,262.84
Banking Houses		3,450,000.00
Customers' Liability on Acceptances		92,744.72
Other Assets		881,702.71
		$323,341,534.62

LIABILITIES

Capital	$ 5,000,000.00	
Surplus	10,000,000.00	
Guaranty Fund	2,520,000.00	
Undivided Profits	5,143,335.07	$ 22,663,335.07
Deposits		289,908,603.27
Deposits on Securities Loaned		6,596,000.00
Acceptances	$93,794.72	
Less Amount in Portfolio	1,050.00	92,744.72
Other Liabilities		4,080,851.56
		$323,341,534.62

United States Government Obligations and Other Securities carried at $19,802,318.88 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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has recommended. The Administration has not indicated what it will recommend in the way of changes in the Social Security Program. But I certainly intend to fight for the extension of coverage as well as other liberalizing provisions such as lowering the retirement age for women, the payment of disability benefits regardless of age to totally and permanently disabled persons if they, before their disability, were covered by Social Security, and the payment of benefits beyond the age of eighteen in the case of disabled and handicapped children.

Other issues that must be considered during the present session include public power in connection with such projects as the Niagara power project and the Hells Canyon Dam project, the farm problem, disaster insurance, and aid for economically depressed areas. Action in these fields is urgently needed.

It is impossible to adequately discuss all of these complex issues in a limited amount of space, but there are several things about all of them in general that can and should be said.

These are not new issues. They have come before Congress time and time again for action. They have been studied and worked over and talked about on numerous occasions. The time has now come to stop talking about them—to stop appointing commissions to study the need for action—to stop making surveys of the situation. The time has come for strong positive action.

Congress has shown in the past how much it can accomplish when it puts its mind to it. It has shown how much can be done when its members concentrate on the job at hand and put politics aside for the moment. However, it will require full cooperation from Administration officials, along with firm direction by Congressional leaders of both parties. If this is done, the 2nd Session of the 84th Congress can be one of the most productive sessions we have had.

DONALD S. LESLIE

President and General Manager, Hammermill Paper Company

We have just concluded a calendar year in which the production of paper and paperboard in the United States reached an all-time high of approximately 29,700,000 tons. Printing papers, tissue papers, and fine papers, all shared in this record by establishing new production highs in their own segments of the industry. The total production was about 1,100,000 tons greater than the previous record set in 1954.

Donald S. Leslie

Our industry has thus established new production records in four out of the past five years. The question is: "Can we do it again in 1956?"

The prospects are excellent that we can. This optimistic outlook is based on these three premises:

(1) The opinion of leading economists — including those of our own industry — that 1956 shapes up as another excellent year for the economy as a whole. (2) The fact that we see no evidence of excessive accumulation of inventories anywhere along the line in our industry. This holds true whether we look for those inventories in mill warehouses, on wholesalers' floors, on printers' shelves, or in consumers' offices and warehouses.

(3) The increased demand for advertising and sales promotion literature which occurs when we have a competitive market for sales. For example, even though our over-all economy declined slightly in 1954, the paper and paperboard industry established a new production record in that year. This record was directly related to an increased use of paper, needed to produce a greater supply of business messages used by manufacturers and retailers in an intensely competitive sales market.

Increased production of paper and paperboard is practically impossible without a similar increase in the production of wood pulp. Nineteen fifty-five production of wood pulp proved no exception to this rule—the record production of slightly more than 20,000,000 tons exceeding the previous 1954 record by a full 2,000,000 tons.

The soundness of our industry's cutting methods and reforestation programs is strongly indicated by this glowing fact. Despite the 10% increase in wood pulp production, the United States Forest Service reports that, in 1955, we had for the first time in many years a net increase in growth over cutting in our country's forests. This increase is estimated at 3,175,000,000 cubic feet.

One of the important factors in the stability reached by the paper and paperboard industry in recent years is found in the sharp increase of exports of wood pulp and a smaller increase in exports of paper and paperboard. This fact reflects both a growing interest in world markets by the industry and an increase in opportunity to develop these markets. Exports of wood pulp increased from approximately 162,000 tons in 1953, to more than 400,000 tons in 1954, and on up to some 600,000 tons during the past year. While our total imports showed a modest increase, this was largely in Canadian pulp wood. These facts, taken together, give a further indication of the great extent to which the would must look to the United States and Canada to meet growing requirements for papermaking fibers.

New production records, set in four of the past five years, tell their own story of how the paper and paperboard industry has steadily expanded to meet the needs of our dynamic economy. The backlog of orders throughout the industry is in general quite satisfactory. With this basis to work from—and providing the predictions of economists as to the over-all state of the economy are reasonably correct—it is entirely possible that the production of paper and paperboard may again set a new record in 1956. Falling short of that, we should at least come close to equaling the record year our industry has just experienced.

ARTHUR D. LEWIS

President, Hawaiian Airlines

There is good likelihood that tourist travel to the Hawaiian Islands will continue to grow in 1956 at about the same rate as it did in 1955. Since Jan. 1, 1955, hotel facilities have almost doubled, and a large number of accommodations are available in every price category.

Travel agents on the Mainland increasingly are recommending Hawaii as a good alternate vacation area for people who previously have spent time in Europe, Florida, the Caribbean, and South America.

Business conditions in the Hawaiian Islands will maintain the current high level during most of 1956 with some increase in employment in 1956 over 1955. Inter-island air travel should increase moderately, reflecting continued high level business activities and the growth in the tourist travel market.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Company

Its diversification of business and industry, coupled with the record local commercial and industrial expansion in 1955, gives Northeast Ohio a solid base of prosperity on which to continue building in 1956.

Elmer Lindseth

Two-thirds of America's 3500 basic product classifications are today manufactured in this 1700-square-mile area, and others are being added annually as industry prepares for completion of the St. Lawrence Seaway three years hence.

In 1955, Northeast Ohio manufacturers invested, or committed for investment, some $400 million on new plants and additions within the area. Commercial expansion totaled an additional $120 million for the year.

The number of people employed to manage, operate, and service this commercial and industrial concentration reached 782,000 last year. High-level employment is a long-term characteristic of the area, reflecting the skill as well as the size of the local labor pool.

In keeping with Northeast Ohio's growing commercial importance is the fact that early in 1956 ground will be broken for a $17 million, 400,000-square-foot office building on downtown Cleveland's Public Square. Many major corporations already make their national headquarters in Cleveland, and this ultra-modern structure unquestionably will attract others.

Home construction continues at its record pace in Northeast Ohio, with 17,400 units completed or started during 1955. The coming year should witness an equal amount of activity, and there is a good chance that the rate will climb even higher if credit restrictions are eased.

Steel production, long an important part of Northeast Ohio's industrial economy, reached an all-time high in 1955. As evidence of steel-makers' continued recognition of the area's strategic location, Republic Steel Corporation and Jones & Laughlin Steel Corporation announced major expansion programs during the year. The Republic project will add 732,000 ingot tons of new capacity, and the Jones & Laughlin program 400,000 ingot tons. This represents a 29% increase in our present local total capacity.

Activity can be expected to increase along Northeast Ohio's "Chemical Shore." The Union Carbide and Carbon Corporation's $31 million titanium reduction plant, due to go into production in the fall of 1956, is the latest link in the area's chemical industry chain.

The approaching completion of the St. Lawrence Seaway in 1958 already is proving a positive factor in Northeast Ohio's growth. Also significant contributors to the area's future prospect are the East-West Ohio Turnpike and the Conneaut-to-Cincinnati Turnpike. These plus values will make "The Best Location in the Nation" increasingly attractive to American industry and commerce in the years to come.

To meet the anticipated electric needs of its service area, The Cleveland Electric Illuminating Company recently announced plans for a 250,000-kilowatt turbo-generator, to be located at the Avon power plant, 20 miles west of downtown Cleveland. The new generator, one of the world's most efficient electric generating units, will go into service by year-end 1958 at a total cost of $39 million. Cleveland Electric also is expanding the generating capability of its Eastlake plant—20 miles east of downtown Cleveland—where a 240,000-kilowatt unit goes on the line early in 1956.

With completion of the two generators, the company will have a system generating capability of more than 2,000,000 kilowatts at its four power plants—2½ times its total installed capacity at the close of World War II.

In the 10 postwar years since Cleveland Electirc inaugurated its "Best Location in the Nation" area development campaign, American industry has invested more than $2½ billion in new and expanded facilities within Northeast Ohio, creating well over 200,000 new jobs in the process.

Cleveland Electric's faith in the future of Northeast Ohio is perhaps best expressed in this continuing campaign, and in the fact that the company itself has spent $272 million on postwar expansion to date, and has scheduled an additional $190 million for construction activities extending through 1960.

AUGUSTUS C. LONG

President, The Texas Company

The petroleum industry as a whole is in the best shape it has been in for years, even though competition is very keen at every level of business. Prospects for future growth and development appear to be good, and there is every reason to believe that demand for petroleum products will continue to increase in the foreseeable future.

A. C. Long

With respect to 1956, domestic consumption of petroleum products should increase almost 4.5% over 1955, reaching about 8,660,000 barrels per day. Demand among the free foreign countries should run close to 6,240,000 barrels per day, an increase of about 10%.

Our industry is just now approaching the period of its greatest growth, diversification and service. The development of atomic power should produce new uses and increased demand for petroleum products. To maintain The Texas Company's position in the whole broad field of energy supply, we are putting tremendous stress on research and development. Great emphasis is also being placed on the human side of our business—on the training and development of energetic, capable executive personnel to carry the increasingly heavy management responsibilities which come with growth.

In 1956 Texaco will invest a record $325 million in capital expenditures. For the five-year period, 1956-1960, we will invest more than $1½ billion to expand and improve our facilities all along the line. More than half this money will be devoted to exploration and drilling operations. This will enable us to maintain domestic net crude production at a level of 60% to 70% of the total crude requirements of our refineries, and at the same time improve the company's reserve picture.

Until now we have concentrated on the development of our extensive inland holdings. However, in 1956, we intend to accelerate considerably our drilling operations in the offshore tidelands.

This year the company will also:

Install additional refining facilities to increase capacity and to continue improving the quality of our manufactured products.

Expand our marketing operations both here and abroad.

Step up our nuclear research activities and construct new facilities for this purpose.

Intensify considerably our participation in the chemical industry. Production of synthetic rubber will be increased, and we will construct plants for the manufacture of additives and anhydrous ammonia.

The scope of these plans reflects our optimism about the economic vigor of the country, the future of the petroleum industry, and the prospects for the continued growth of The Texas Company.

ROY G. LUCKS

President, California Packing Corporation

The past year has been a generally satisfactory one for the fruit and vegetable canning industry, both from a producing and a marketing standpoint.

The 17,923,000-case pack (24/2½ equivalent) of cling peaches which California achieved this past season was particularly welcome because of the abnormally low carryover with which the industry entered the 1955 packing season. The pack has been moving well since August, and if it continues to move at this rate during the next five months, we should go into the 1956 operating season with a normal carryover.

Roy G. Lucks

While some eastern areas had short tomato crops last year, California's 1955 canning tomato crop exceeded 2,000,000 tons, an increase of more than 32% over the 1950-54 five-year average. As a result, California's 1955 pack of tomatoes and tomato products reached a near-record 50,052,000 cases, 35% above last year and even 5% above the big 1952 pack. This has in large measure offset the effect of eastern crop losses.

Two other major canning crops are corn and peas, both concentrated largely in the midwest. The total U. S. pea pack for 1955 was up 15% over 1954, but is not out of line with those of other recent years. As a result, while Dec. 1 stocks of peas are up from the previous year, they are still **below** Dec. 1, 1953 stocks. Movement

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of canned peas is so far 3% above that of the previous season.

Canned corn, on the other hand, is in short supply industry-wise, following an unusually short 1955 crop. Our own Dec. 1 position on DEL MONTE Corn is in good balance with demand.

California Packing Corporation has made substantial progress along several lines during the past year. Additional canning facilities have been acquired in Indiana and warehouse facilities have been expanded in many parts of the country. Our domestic marketing organization has been further strengthened, and we are getting back into a number of foreign markets.

Although it is much too early in the year to predict with any accuracy the final results of 1955-56 marketing operations, the majority of our DEL MONTE packs have been moving well to date, and we anticipate coming into the 1956 producing season in June with normal or nearly normal supplies of most major DEL MONTE items.

H. E. MacDONALD

President, Household Finance Corporation

The year 1955 has been an eventful period for Household Finance Corporation. We made over two million instalment loans, amounting to over $750 million. The average size of these loans at the time they were made was about $365. We ended the year with over 1,490,000 accounts on our books, totaling about $450 million. The unpaid balance of these loans averaged about $300. This represented an increase in receivables on the books of 16% for the year. We now have 738 offices serving the families of 512 cities in 35 states and all provinces of Canada.

H. E. MacDonald

These records can be attributed to a number of factors: the tapping of productive markets through the opening of a substantial number of new offices; a generally higher level of business activity throughout the United States and Canada; and a continually wider public recognition of the advantages of the constructive use of credit.

During 1955, Household opened 95 new offices. Of these, 69 were in cities not previously served. Georgia and Kansas passed new consumer credit legislation in 1955, making entry into these states possible and desirable.

Practically all new offices, other than those in new cities, were opened in, or adjacent to, suburban shopping centers.

HFC serves the public, primarily, under the provisions of small loan laws originally recommended by the Russell Sage Foundation in order to provide consumers with adequate credit at reasonable rates of charge. These laws require licensing of lenders and provide for continuous supervision of such licensees. Either by statute or through regulation, the maximum maturity of loans is strictly limited, usually to 24 months or less.

General business activity is expected to remain at a high level in 1956, with continued high consumer income and little unemployment. Under such conditions, the demand for consumer credit will also remain at satisfactory levels. It is axiomatic, in our field, that when consumers have confidence in the future, they are willing and able to assume financial commitments. When there is considerable unemployment and when consumers view the future with misgivings, they are unwilling to assume obligations.

W. C. MacFARLANE

President, Minneapolis-Moline Company

Our company, as well as our industry as a whole, is entering 1956 with more optimism than we have had for some time. There was a noticeable increase of confidence in 1955, and 1956 promises to be more favorable, barring such hazards as drought, floods, etc. Of course, there always are disturbing factors with us in agriculture. Farm surpluses and uncertainties about support plans in all probability will continue to be with us. In spite of these problems, however, our customer has much financial strength. He not only is able to support himself and his family off his land, but has a strong credit position and holdings in farm property of great value.

W. C. MacFarlane

It is uneconomical for the farmer to run his business without modern farm machinery. The efficient farmer continues to make a good return in his business, despite any price slump, and he is well aware of the role that modern up-to-date equipment plays in keeping him financially strong. There are fewer farmers today, farms are larger, and farm labor costs are high. The farmer's need for cost-reducing machines is increasing. He must also make provision for more leisure time for both himself and his family—to be in tune with his neighbors in industry and elsewhere.

It is estimated that our population will increase to 200 million within the next 20 years. It is the farmer alone who is relied upon to produce the food and fiber to feed and clothe our people—and surpluses have a habit of disappearing in years of adverse crop conditions, failures, etc.

Years of research are bringing the farmer a dynamic new line of farm implements. Minneapolis-Moline is coming out with a new Powerlined "445" tractor at this time. Also, there are the new MM Uni-Farmor units like the Uni-Balor, new implements, and advanced engineering developments in industrial power units. With these new farm tractors and machines embodying a great number of ideas that are far ahead of the field, Minneapolis-Moline is confident of their wide acceptance by farmers and users of industrial power.

Our 1955 farm-machinery sales volume increased approximately 12% over 1954, with noticeable increases in Export sales. We expect sales to continue to mount in 1956, and we are expanding our sales organization to provide stronger dealer representation and better distribution of our products. Our service organization is also being enlarged to insure immediate attention to any field problems that may arise and instant integration of farmers' needs with our design and manufacturing staffs wherever possible.

1956 looks like a good year for Minneapolis-Moline, for the Farm Equipment Industry, and for the Nation as a whole.

ROBERT S. MACFARLANE

President, Northern Pacific Railway Company

With general business conditions expected by most observers to stay at a fairly high level during 1956, the Northern Pacific railway is looking forward to a continued heavy volume of traffic. How well earnings will hold up, however, will depend to a considerable extent upon how much rising operating costs, due chiefly to increased wages, can be offset by getting either more traffic or an increase in freight rates, or both.

Robert S. Macfarlane

Northern Pacific's budget for new equipment and improvements in 1956 has been upped $4 million over 1955 in the expectation the nation's economy will stay in high gear and with confidence there will be continued economic development in our territory which is fundamentally a growth area.

During the coming 12 months, the Northern Pacific will spend $13 million to add 79 more units to its diesel locomotive fleet and will launch a $9½ million freight car building program. This project calls for the construction of 1,000 50½ foot double-door all-steel boxcars and 200 70-ton ore cars. An additional $2,250,000 will be spent for purchase of a fleet of 100 new mechanical refrigerator cars.

These important additions to our equipment pool will strengthen our capacity to serve the growing transportation needs of our territory.

Construction activity, which outperformed the most optimistic estimates in 1955, is holding up and we anticipate a continuing demand for movement of forest products.

Oil development in the Williston Basin should continue to proceed at a steady pace. At the end of October, the Northern Pacific, which has mineral reservations including oil and gas on 3,000,000 acres in the Basin, was participating in the production of 86 wells, which is 34 more than at the end of 1954. The Butte Pipe Line company, in which the NP has a 10% interest, recently completed a 16-in. crude oil line from eastern Montana to Guernsey and Fort Laramie, Wyo., connecting with lines to refineries in the Midwest. This new outlet to Midwestern markets is expected to encourage expansion of production and further development in the Basin.

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. . because they went to their doctors in time

Many thousands of Americans are being cured of cancer every year. More and more people are going to their doctors *in time.*

But the tragic fact, our doctors tell us, is that every third cancer death is a needless death... *twice* as many could be saved.

For the facts of *life* about cancer, call the American Cancer Society office nearest you or write to "Cancer" in care of your local Post Office.

American Cancer Society ®

THE CONNECTICUT BANK AND TRUST COMPANY

Statement Of Condition December 31, 1955

RESOURCES		LIABILITIES	
Cash and Due from Banks	$ 98,443,153.64	Deposits	$347,981,301.86
U. S. Government Securities	76,277,663.09	Unearned Income	2,790,439.45
State, Municipal and Other Securities	49,509,406.03	Accrued Federal and State Taxes on Income	1,428,320.26
Loans and Discounts	152,051,213.85	Other Liabilities	677,333.88
Accrued Income Receivable	773,070.61	Dividends Payable in January	368,000.00
Banking Houses	4,382,206.73	Reserve for Contingencies	400,000.00
Other Assets	269,478.29	Capital Funds:	
		Capital Stock $11,500,000.00	
		Surplus 13,000,000.00	
		Undivided Profits 3,560,796.79	
		Total Capital Funds	28,060,796.79
	$381,706,192.24		$381,706,192.24

CHAIRMAN—Lester E. Shippee PRESIDENT—Raymond C. Ball

THE CONNECTICUT BANK AND TRUST COMPANY

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L. S. MACKERSY, M. C.

President, Imperial Bank of Canada, Toronto, Ont.

To be able to forecast with any degree of certainty the business and economic future in Canada or in the United States during 1956 is difficult, if only because of the uncertainties of international politics. We live in a time when peace is sometimes strained to almost breaking point because we can never be certain whether the cold war is to become colder or the temperature will increase gradually until we find ourselves engaged in a hot war in some part of this world. If we remain at peace during 1956, and there appears every reason to believe that we shall do so, then the indications are that business will be as good if not better than it was during 1955.

L. S. Mackersy, M. C.

The rapid recovery from the recession of early 1954 and the return of the Canadian dollar to the neighborhood of par with the United States dollar were the two most important developments in the Canadian business world during the past 12 months and both these developments are most encouraging. The mildness of the recession and the speed of the recovery attest alike the prosperity of other countries and a growing confidence by Canadians in the continuance of a high level of employment and income.

While the persistence of current exchange relationships between the Canadian and the U. S. dollars is not yet assured, the decline in the Canadian dollar has removed for a time at least one of the handicaps from which the Canadian export trade has suffered in recent years.

In order to forecast, one must review and all the indications are that 1956 will be a year of further development and expansion in Canada and that in all fields business will be buoyant. The recession of 1954 would have been more serious and recovery slower but for the remarkable behavior of consumer spending in Canada and in the United States. While other forms of spending, including that of construction, machinery and equipment and spending by government on goods and services, were all somewhat sharply cut during 1953 and early 1954, they remained low during this latter year. Consumer spending, on the contrary, rose steadily through 1954 and grew even more vigorously during 1955.

The main factor in the rise of the United States dollar in recent months has been the sharp drop in the net sales of new Canadian securities in New York. Direct investment in Canada in 1954 was exceeded only by that of the year 1953. In the 12 months ended June 30, 1955, retirement of outstanding bonds exceeded new issues with the first half of 1955 showing Canadian bond sales abroad at $125 million, while in the same period in 1954 new issues totaled $267 million. Mainly for this reason the total long-term capital import in the first half of this year was $252 million below that of the first half of 1954.

It has been normal in recent years for the American dollar to show an upward movement in the first half of the year as Canadian exports during that period are usually relatively low and Canadian imports rising. The reduction in the long-run capital inflow would have produced a much stronger upward movement in 1955 had it not been for the unusually large short-term capital inflow which partly replaced it. Most Canadians probably welcome the re-establishment of parity between the United States and Canadian dollars as a discount on New York funds seems abnormal but, however, it should not be assumed that it will not grow again. Among the forces contributing to rapid expansion in Canada are a high rate of population growth, the extensive development of Canadian natural resources, great investment in manufacturing, power and transportation facilities, and the maintenance of Canadian exports.

The current high rate of population growth creates expanded demands for consumer goods, houses and community services which stimulate business but this population growth also confronts Canadian municipal governments with most difficult problems which need speedy solution. Since population increase comes about first in the lower age groups, the labor force is not yet growing as fast as the population. Until such time as those now young will begin to join the labor force in large numbers, there is a particular need for immigration in Canada if the number of workers is to grow as the current rate of national development requires. It is in the immediate future, however, that a large number of immigrants could be most readily absorbed and would contribute most to Canadian national production.

The vigorous development of Canadian natural resources continues in a most gratifying manner and during the last year the St. Lawrence River power and seaway project has made good progress. Canada promises shortly to be the world's largest producer of uranium, and iron ore, a comparative newcomer on the Canadian scene, has had a meteoric rise in tonnage produced. The world demand for our nickel, which is a peculiarly Canadian product, was and continues to be insatiable. Copper and zinc production in Canada increases steadily with the demand for the former outstripping the supply. In addition to all this, the needs of other highly industrialized countries give ample justification for the further expansion of these industries and of Canadian export capacity. Canada is most fortunate in having men of the highest calibre with courage and vision leading and working in all phases of the Canadian mining industry which is one of many reasons why this industry moves ever forward to new horizons.

Serious upsets may come upon us from other countries in the world at any time and study of their possible nature and the proper remedies should not be neglected, nor should the narrowness of the road that runs between inflation on the one side and depression on the other, be forgotten. However, there is much in store for this young country called Canada and Canadians are very much alive and awake to the potential and the possibilities that await them in the future. Canada's outstanding position in every field of endeavor, industry, commerce, mining, agriculture, finance and atomic energy, is due basically to the leadership of Canadians from every walk of life and to the Canadian working man.

With the tremendous industrial and manufacturing development, particularly during the postwar years, with the insatiable demand for the natural resources with which Canada is so abundantly blessed, with the great productivity which comes from her fertile soils, with abundance of cheap power and with all the wealth that lies on and under the surface of the ground yet to be tapped, Canada can look to the future with confidence as 1956 must be a prosperous year unless some international calamity befalls us, which at the present time no one can even envisage. Under these circumstances, business must continue to grow and to prosper across our land and it will do so providing Canadians tackle their problems realistically, work enthusiastically with vigor, enthusiasm and imagination.

JOHN L. McCAFFREY

President, International Harvester Company

We usually begin any appraisal of a journey we are about to take with an examination of where we start from. So, in considering the possibilities of the farm equipment industry for 1956, we probably should begin with 1955. At this time a year ago, we thought that our company's 1955 farm equipment business might well be about 15% better than in 1954. Results for the year show that we were about right in that feeling.

John L. McCaffrey

Our industry, and especially the dealers who handle most of our retail sales, found 1955 a pretty good year. Of course, there was good, stiff, and ever-present competition. But that has become the normal thing. I think competition is good.

The volume of farm equipment sales in 1955 increased despite a further decline in farm commodity prices. That should be a cheering and reassuring factor for us, for there are many indications that the decline in farm prices which has been under way for several years may have about spent itself, and that any further decline will be of lesser extent. We must bear in mind that the decline in total farm income has not been as great as many would be led to believe, and that the total income is now shared by fewer farmers.

The trend of farm income, of course, is important in our business and will continue to be so. But I venture to suggest that the proof is in the pudding, and in 1955 it was not the depressing factor that might have been supposed.

There seems to be a very general feeling in the United States that our agricultural economy should share in the general prosperity of the nation. There seems to be acceptance of the fact that it would not be wise to allow agriculture to lag behind other segments of our economy. The big debate is over the method or methods to be used in improving and stabilizing the farm economy, and unfortunately there is widespread political difference as to methods.

Despite these differences, however, I believe that enough sincere and capable men are now alert to the problem, willing and desirous to do something about it, and that there will be definite and tangible progress made in 1956 to put our farm economy on a better and more prosperous basis.

And while many men are working for that objective, I feel confident that the farmers of America will be helping themselves, too. Just as any producer of a salable commodity must do, the farmer is seeking better ways to produce a better product at lower cost. And most farmers have come to the conclusion, under such circumstances that the best and most profitable step they can take for lower production costs is to get the maximum use and benefits from modern farm machines of improved design and greater work capacity.

I think our industry can attribute our improved 1955 sales to that fact. The machines that sold best in 1955 were those which offered the farmer the greatest labor saving and the maximum work capacity in keeping with his needs.

Because I believe American farmers will continue to seek such farm machines in 1956, I look forward to another good year for our industry in all its parts manufacturers, dealers, and suppliers. To be sure, it will be a year that will test the resourcefulness and determination of all of us. But if we are willing to strive mightily to give our customers what they want, then we'll have another good year, as good as or better than 1955.

Each of us will need to do his part to make it a good year. And doing that, we can look to 1956 with confidence and, I think, with assurance.

THOMAS F. McCARTHY

President, Austin, Nichols & Co., Inc.

On the surface, at least, it would appear that the Wine and Spirits industry in 1955 shared the general prosperity of the country, especially when you consider the volume of the last two months of the year. Actually, this is not the case. Annual statements issued during the year generally showed a downward trend in contrast with the upward trend of most other industries. The total volume for the year showed some increase, but not nearly in proportion to the increase of other industries.

Thomas F. McCarthy

There is nothing new about this situation, and it is my belief that most of it can be traced to the fantastically high tax still levied on liquor. This has resulted in an alarming increase in bootlegging. After all, what other commodity carries a tax greater than the retail value of the merchandise itself? The results have been obvious. Let me recite a few figures: Illegal stills seized by Federal agents alone during the government's fiscal years, ending June 30, were as follows:

June 30, 1953	10,697
June 30, 1954	11,266
June 30, 1955	12,509

Illegal stills seized by Federal, state, and local governments for the calendar year of 1954 reached the astounding figure of 22,913. Yet, according to the records, arrests accompanying these seizures amounted to only one person for every two stills seized.

It is estimated that the American taxpayer was robbed by the criminal moonshiner of at least $330,000,000 in evaded Federal taxes alone during the first half of 1955. This actually amounts to more than three times the total value of all the automobiles stolen during the same period.

One should also bear in mind that there is no way of estimating the number of illegal stills which defy detection.

Our industry is alertly aware of this serious threat to our business but seems thus far to have been unable to arouse the general public sufficiently to interest themselves in endeavoring to secure a tax reduction. A reduction in the tax to realistic figures would take the high profit incentive out of bootlegging.

Another problem still facing the industry is posed by the law limiting the bonding period of American spirits to eight years. I believe that our government should adjust this period to compare with the unlimited bonding period in other countries. If the government cannot see its way clear to eliminate the age limit on spirits carried in bond it should at least lengthen the bonding period to 12 years.

The sale of Scotch Whisky is still increasing, and there is some increase in the demand for imported Champagnes and Brandies. It is my belief that this industry in general should have a mildly better year in 1956 with the import business enjoying a higher rate of upturn than the rest.

T. M. MARTIN

President, Lion Oil Company

Our Nation's business has just concluded one of the most successful years in its history. The prosperity of 1955 will continue into 1956. There may be a leveling off sometime during the year, but it will not be in the nature of a recession. During 1955, almost every phase of our economy has been able to shift to healthy peace-time, non-military, levels. This transition, marked by a change from seller's market to buyer's market, is tremendously important in that it has returned the competitive enterprise system—the environment in which American business achieved world leadership.

T. M. Martin

The petroleum industry moved ahead during 1955, although it had problems, many of which remain to be solved in the coming year. For example, steadily-rising drilling and producing costs have resulted in a need for improvement in the price of crude oil. However, refined products prices held down by high inventories from excessive refinery runs, will not support a crude price increase at this time.

Further encroachment of Federal controls on private business has been slowed down. Nevertheless, certain phases of our economy—the natural-gas producing industry, for example—still are hampered by unwarranted regulation. This can be greatly relieved by passage of the Harris bill. Much has already been done by the Administration to alleviate such conditions. It is imperative that the coming Congress do even more, inasmuch as the success of our economic system is, to a great extent, dependent upon human effort and imagination.

During the past year, the buying public, encouraged by intensive business activity, has shown confidence in the Nation's economic strength by purchasing in record volumes. This confidence will be extended into 1956.

These factors—a sound peace-time economy, increasing competition, expanding industry, the return of business control into the hands of the private businessman, and strengthened consumer confidence—are but a few of the indications that 1956 can be another good year for the American businessman.

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MORTON J. MAY

President, The May Department Stores Company

The outlook for the retail business in 1956 is favorable. On the basis of present sales trends, rising consumer income, announced business expansion plans and other known factors, we expect sales to continue to increase in 1956, though at perhaps a lower rate than in the last half of 1955.

Morton J. May

National retail sales reached a new high of an estimated $185 billion in 1955, exceeding the 1954 total of $170,664,000,000 by approximately 8%, and were continuing to follow a strong upward trend as the year ended.

In our own case, sales of the May Department Stores Company for the 11 months ended Dec. 31 were up 11.7% over last year. The amount of this gain over the national increase of 8% resulted partly from the opening late this summer of three new branch stores and the completion of a 13-floor addition to our Kaufmann's store in downtown Pittsburgh.

Our sales in 1956 will be augmented by the first full year of operation of the Kaufmann addition and the new branches, which are located in Los Angeles, St. Louis and Denver. Together these new facilities should account for annual sales of more than $50 million.

It is doubtful, as many economists have pointed out, that expansion will continue at the same high rate that brought the economy to a full employment level in 1955. However, conditions appear favorable for continued growth at a rate sufficient to maintain that level.

One of the most important economic forces in the coming year will be investment by industry in new plant and equipment, which, according to announced plans, will be about $4 billion greater in 1956 than in 1955. This, together with expected increases in Federal, state and local government expenditures, should make for continued growth, even if housing and automobile sales do not exceed their 1955 levels.

Contributing to overall expansion and of particular interest to the retail trade is the general movement toward suburbanization, which will continue to create additional demand for household equipment and other consumer goods.

THOMAS B. McCABE

President, Scott Paper Company
Former Chairman, Federal Reserve Board

"Business has never been more competitive—and never better." Thus has the purchasing agent of a large company summarized the current situation, based on his wide range of contacts. An instant's reflection on those words will reveal their penetrating significance. Certainly they speak well for our competitive system of enterprise.

Thomas B. McCabe

Indeed, our general economy never has fared better. In 1955 we shattered many records and took a long stride forward. Never have our people enjoyed greater prosperity. Our future can be even brighter, provided we strive more vigorously to increase the efficiency of business in all phases of operations, give the public better values, market products more intelligently, and continue to improve our public and personnel relationships.

I look forward to the months ahead with optimism and enthusiasm because I believe that business will act wisely and will strive harder than ever to further the successful progress of 1955. The new year will, of course, be fraught with difficulties and dangers, as has every period in our economic growth. We can overcome many of the difficulties and avoid many of the dangers by realizing the inevitability of change, being ever flexible and ready to adjust to the unexpected. On balance, I believe that any negative aspects in 1956 will be strongly overshadowed by positive forces.

Our population is increasing, and incomes are higher. Foreign markets are developing. Research is providing us with new and improved materials and products that are opening up new industries and expanding others. Innovations in production methods are increasing output per worker to levels that would have been considered impossible a few short years ago. More importantly, managements are improving, and industrial statesmanship is emerging in many industries.

The enlightened attitude of the present Administration in Washington has been a tremendous stimulus to business and industry. The cooperation between the Treasury and the Federal Reserve has never been better. With the monetary and credit administration in such capable hands we can look forward to a wise exercise of authority in these areas.

While moderate adjustments may occur in some lines such as residential housing and the automobile industry —and we will still have the farm problem with us—I believe that there will be compensating factors. Consumer spending will probably increase. Business has plans to spend more for plants and equipment. Government expenditures—national, state and local—will continue to rise.

To take full advantage of the positive factors, we must be ever alert to the relationships between capital and labor and curb the excessive zeal of each in order to avoid conduct against the public interest. With the free world so dependent upon the strength of the American economy, we cannot afford to have industrial strife.

Essential also to our continued progress is the development of more advanced methods of distribution. With production at record levels, the time has come for concentrated scientific research in distribution by manufacturers, wholesalers and retailers, and for a broader professional concept in personal selling.

It is encouraging to see that many companies are directing a steadily increasing amount of time and money into the study of all phases of distribution—advertising, marketing and selling. If American business can distribute efficiently the output of its great industrial machine and we can continue to improve the health and well-being of its workers and consumers, there should be no limit to our future prosperity.

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10 equals 50

WE'RE REALLY not in need of mathematical assistance . . . it's just our way of emphasizing something we would like you to know. The American Gas & Electric System will in the next 10 years grow as much as it has in the past 50.

This year, our fiftieth anniversary, we will inaugurate our greatest expansion program ever. We are planning to invest more than $135 million a year for the next ten years. This equals our present investment of more than $1.3 billion in facilities after 50 years. Much of this will go into building new generating facilities, and expanding existing ones to bring our 1965 capacity to 8,500,000 kilowatts.

Our expansion program is dictated by the ever-increasing power demands of the seven-state area served by the AGE System. This area, considered by many as "The Heart of Industrial America," is growing at a tremendous pace and we are growing with it. It's a rich area, endowed with many natural resources, a willing, industrious people, and farsighted leadership. The natural consequence is growth.

American Gas and Electric is happy to be a helping partner in this growth, and we are mindful of our obligation to provide all the low-cost electric power that's wanted. That's why we are planning to equal our first 50 years in the next 10—and we also plan on equalling them both with the expansion after that.

AMERICAN GAS & ELECTRIC SYSTEM

Appalachian Electric Power Company
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Kentucky Power Company
Ohio Power Company
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L. F. McCOLLUM

President, Continental Oil Company

The level of general business in the last quarter of 1955, which reached an all-time high, should carry over well into 1956. The best business periods should be in the first half of 1956, with the year as a whole expected to be somewhat better than 1955. Although purchases of automobiles will undoubtedly lag behind 1955 levels, total spending by individuals should maintain its upward trend of recent years.

L. F. McCollum

It is anticipated that United States petroleum demand, including exports, will be approximately 9,000,000 barrels daily during 1956. This represents an increase of 3.7% over last year. Domestic demand should increase approximately 4%.

Many problems face the petroleum industry as it enters a new year of activity. Only a month ago, the industry was apparently facing a general over-supply of refined products. Since then, an early and cold winter has overtaken much of the country, and the resulting demand for heating oils has significantly reduced the excess supply of those products. The tendency toward tight supplies, which already has been noted in some areas, has resulted from transportation difficulties.

While the heating oil situation has improved, gasoline inventories have continued at a greater than normal seasonal build-up. This has been caused by the high level of refinery runs considered necessary to meet the unprecedented level of distillate demand. If that demand continues to dictate high levels of heating oil production, adequate supplies might well be obtained through increasing the ratio of heating oil to gasoline produced, rather than by refining greater quantities of crude oil.

The imports situation presents the oil industry with another major problem, to which no satisfactory solution has yet been found. Continuing efforts by all concerned with this issue are needed to achieve a reasonable balance between imports and domestic supply. These and other problems call for moderation and sound business judgment on the part of all segments of the oil industry throughout 1956.

Of more general concern is the issue of Federal control over the production of natural gas, which affects not only the oil industry but also business in general and all the natural gas consumers in the United States. Federal regulation will impair supply of this quality fuel, both immediately and down through the years. To assure an adequate and continuing supply at reasonable prices, the Harris-Fulbright bill, which frees the producers from regulation by the Federal Power Commission while at the same time protecting the consumers, must be passed at the forthcoming session of Congress.

R. BLAYNE McCURRY

President, Schenley Laboratories, Inc.

The optimistic outlook for sales activity of our firm in 1956 is based on the prospects for sales of an expanded list of pharmaceuticals being marketed domestically, and the progress being made by foreign firms licensed to sell products bearing the ShenLabs trademark. We introduced six new products during the latter part of 1954 and the first eight months of 1955, covering Shenley's fiscal year. These were: "MorCal," a cereal-like high-calorie food supplement for weight gain; "Diafen," an anti-allergy product especially effective for hay fever; "Euphased-5," a stimulant and appetite depressant for overweight; "Colostat," an anti-diarrheal; "Dorbane Suspension," a non-habit-forming laxative; and "Vascutum Improved," a lipotropic for vascular protection.

R. Blayne McCurry

Currently in work at the company's New York research laboratories are projects in the fields of dermatology, antihistamines, antispasmodics, sedatives, hypnotics, blood coagulation and nutrition.

Specialty pharmaceutical products bearing the Schenley label are distributed in 54 countries outside of the U. S. and Canada. A number of firms have recently been added to our list of companies licensed abroad to manufacture or package and sell our products under the SchenLabs trademark.

In addition, we anticipate expanded activity through our arrangements with leading pharmaceutical companies in West Germany, Spain, France and Denmark for the exchange of antibiotic research discoveries and developments.

The broadest of these arrangements is with the famed Farbenfabriken Bayer A/G of West Germany, the original discoverers of aspirin, the sulfonamides and many other important drugs. The German Bayer company and SchenLabs exchange scientific information and data and licenses for the production of any discoveries and developments in the prevention, treatment and cure of diseases. The arrangement covers all pharmaceutical products and drugs for medical, dental and veterinary use.

Norex Laboratories, SchenLab's wholly-owned proprietary pharmaceutical company, enjoyed the best year in its history in fiscal 1955, through increased sales of its antacid "Amitone." Expanded marketing operations by this affiliate during the current year are expected to result in even further gains.

Active cooperation of Schenley Laboratories in cancer research reflects the company's slogan, "In the service of medicine and mankind." Grants-in-aid and supplying cancer research institutions with antibiotic materials which show anti-tumor activity are among the ways in which this cooperation has been evidenced.

The research program has been rounded out by establishing fellowships with and making grants-in-aid to a number of medical colleges and institutions, as well as to private clinicians.

A. KING McCORD

President, The OLIVER Corporation

The OLIVER Corporation is engaged in the business of manufacturing and selling farm tractors, machines and implements; industrial tractors and equipment; power-driven and gravity conveyors; hydraulic and mechanical presses; outboard motors and certain products for the Military Establishments of the United States Government.

A. King McCord

Since the latter part of 1953, the farm equipment industry has been serving a market which has been a market of replacement except in the export field. During that time the purchasing power of United States and Canadian farmers has declined, and will continue to decline in 1956, because of the large drop in farm commodity prices and the increase in prices the farmer pays. My opinion is that sales of farm equipment by manufacturers during 1956 may approximate the volume attained in 1955.

Industrial product sales in 1956 are showing and will show a substantial increase over 1955. The current year may well record the largest production and sales year in the industrial machinery business.

Expenditures for defense by the Federal Government during 1956 will be equal and maybe slightly higher than 1955. However, greater emphasis will be placed upon the development and manufacture of products required for the aviation and missiles programs. The effect of this would be to reduce production of conventional armament with an increase in production of newer weapons.

I believe the country may look forward to a prosperous first six months during 1956.

LYLE McDONALD

Chairman, Public Service Electric and Gas Company

Nineteen Fifty-Six promises to be another year of growth for the nation's electric and gas utility industries. Sections of the territory served by Public Service Electric and Gas Company are growing rapidly, particularly in the areas within commuting distance of New York and in the areas in New Jersey adjacent to the Delaware River Valley. The territory served by the company, aptly called the "Crossroads of the East," with its strategic location in the New York and Philadelphia metropolitan areas, continues to attract new and widely diversified industries, new residents and incidental thereto, new shopping centers.

Lyle McDonald

In 1955, our sales of electricity in all three categories—residential, commercial and industrial—showed marked increases over 1954. The demands of customers on Dec. 20 resulted in a new record peak electric load of 2,036,600 kilowatts, an increase of 186,500 kilowatts over the 1954 peak. A contributing factor towards the record kilowatt hours sold this year was the increased use of summer cooling equipment. The usual summer "dip" promises to be further leveled during 1956 as a result of the installation of additional air conditioning equipment. Also, there is every indication that a large number of new residential customers will be added during 1956, based upon the number of homes already under construction and the prevailing optimism existing among builders in this area.

In 1955, our sales of gas increased substantially over 1954, reflecting the increase in building heating installations which promises to continue as the fastest growing market for gas during 1956. A record 24-hour sendout of gas amounting to 3,642,981 therms occurred on Dec. 20, exceeding the 1954 record 24-hour sendout by 779,645 therms. The availability of greater quantities of natural gas has made possible the extension of gas service and the conversion of certain outlying areas from mixed to straight natural gas.

In 1955, the company completed the installation of 185,000 kilowatts of new generating capacity, and, besides continuing construction on a new 450,000 kilowatt generating station in its central area, started preparing the site for the construction of a new 550,000 kilowatt station in its rapidly growing northern area. Completion of these two new stations will raise the company's installed capacity to more than 3,000,000 kilowatts by the end of 1958. Thus, in approximately three years, the company will have added about 1,000,000 kilowatts of capacity. The company's construction expenditures in 1955 approached $90,000,000 and the 1956 expenditures for construction will probably exceed $100,000,000.

HON. DOUGLAS McKAY

Secretary of the Interior

Further rewarding progress in the conservation and development of the Nation's great wealth of natural resources can be expected this year.

I am most hopeful that we can continue to bulwark with long over-due legislation the advances which have been made in the past three years. If we are successful, the Nation will move forward into a bright new era in resource conservation and wise use which will bring to a decisive end the neglect and exploitation of the past. Last year Congress approved at the President's request a substantial increase in appropriations for the National Park service. This increase is making possible a sound start in halting the deterioration of park areas. This year a 10-year program, involving a broad, long-range approach to park development, will be submitted to Congress. The objective of this program, known as Mission 66, is to make our National Park system fully adequate to the needs of the 80 million people expected to visit our parks by 1966. I believe that this program will prove to be the most important forward step ever taken in meeting our vital national park responsibilities.

Douglas McKay

The need for comprehensive water resource development becomes more imperative each day and the Eisenhower Administration will press strongly during the current session of Congress for prompt action on several important fronts.

One of the first steps must be action by Congress to provide a sound framework for Federal, State, and local cooperation on water resource development. Recommendations for legislation to meet this need will be submitted to Congress by the President early this year.

Last year Congressional action on water resource undertakings recommended by this Administration was disappointing. This year we shall again ask approval of prompt starts on the Colorado River Storage Project, the Frying Pan-Arkansas Project, and other reclamation projects which have been delayed.

We also hope that Congress will approve construction of the John Day Dam on the Columbia River and Cougar Dam on the McKenzie River on a partnership basis. Denial during the last session to the City of Eugene, Ore., of the opportunity to provide the power features of the Cougar Dam as a local public project needlessly added to the power problems of the Pacific Northwest.

Over the past two years, the Administration has provided school facilities for thousands of Indian children previously denied the opportunity to obtain an education. For the first time in history, all children of the Navajo tribe, which is the largest in the country, have been enabled to go to school.

We must continue to meet the educational needs of increased numbers of Indian people and the Administration will support new legislation for the education of adult Indians whose education in earlier years was neglected.

We expect this year to continue also the striking progress which has been made in protecting the wildlife refuges of our country and promoting adequate controls over the surface resources on mining claims in the national forests.

Statehood for Hawaii and advancement of the development of Alaska to make it possible for that Territory to achieve statehood on a satisfactory basis are among our other important objectives.

All-in-all, I am confident that 1956 will mark a continuance of the record of sound resource conservation and development which is so essential to our Nation's economic future.

PATRICK B. McGINNIS

President, New Haven Railroad

Railroads in general enjoyed a good year in 1955. This was due more to the general prosperity than to the relative growth of the railroad industry. With more business available for everyone, rails showed improvement even though their slice of the transportation pie continued to diminish. While most other industries reported record sales and earnings, railroad revenues fell short of 1953 levels. For the year, railroads showed a return on investment of about 4½%, or far less than the average for industrial concerns.

Patrick B. McGinnis

The outlook for railroads in 1956 is brighter in many respects. The conversion to diesel power from steam has about been completed. Now, research on nuclear energy holds promise of another possible revolution in power.

Meanwhile, new developments are being pursued in the field of passenger transportation. The New Haven Railroad has on order three types of radically new, light weight, low-center-of-gravity trains which should be in operation in the next few months.

In freight transportation, new developments include growth in the transport of highway trailers by rail and so-called "piggyback" operations. During 1956, considerable progress should be made along these lines.

Electronics is expanding the horizons of railroad po-

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Railroad Securities

By GERALD D. McKEEVER

Erie Railroad Company

Several factors are in the offing that could brighten the outlook for the Erie. In the first place, the road's president has forecast an 8% increase in revenues for this year from new traffic sources and general improvement and does not include any part of the 7% increase in freight rates which has been applied for. Secondly, an important step has been taken to cut operating expenses in the plan to move the passenger terminal from Jersey City to the Hoboken terminal of the Lackawanna, and at the same time abandon its ferry operations on which it claimed a $1 million loss in 1955. There will undoubtedly be other substantial savings from the joint passenger terminal operation with the Lackawanna including a reduction in local taxes which bear heavily on all roads operating in New Jersey.

A large part of the increase in revenues that has been estimated for this year may be ascribed to a full year's operation of the new Ford assembly plant at Mahwah, N. J., from which there was only five months' benefit in 1955, the plant having begun operations late in July, and at far below capacity at that until recently when it went on a two-shift basis. It has been estimated by the Erie management that at a reasonably normal level of motor car production, this plant alone should contribute about $9 million annually in revenues.

The estimated $13 million increase in 1956 revenues probably includes something for the movement of construction materials for the new $80 million General Motors Fisher Body plant at Mansfield, Ohio, on which work has only begun. It is expected that this new source when on operation may contribute the better part of $10 million annually to the road's revenues. The Erie is constructing a 300-car yard to serve this plant.

If the full 7% freight rate increase is granted it should mean some $10 million more revenues for the Erie at the current level of operations. Otherwise a large share of the $13 million increase from new traffic and other sources that has been estimated for this year would be absorbed by the wage increase that has been estimated at $6 million to $7 million for the Erie, and for other increased costs. In this case, the net result for 1956 might be little better than a stand-off as far as concerns benefit to net earnings. This figure is estimated as equal to about $2.90 per common share for 1955, but of this only some $1.65 was available for the common dividend after allowing for sinking funds and capital fund stipulated in the bond indenture inherited from the 1941 reorganization.

These earnings bear some explanation, however, since tax credits for the first 11 months of 1955 add up to almost 60 cents per common share. This tax credit, and the far more imposing credit of over $1.60 per common share in 1954 should not be confused with the tax deferral due to accelerated amortization which is a contributing factor to any reduction, and in this case, the complete elimination of Federal tax for the year, plus a credit. The consolidated loss for tax purposes for both 1954 and 1955 arising from abandonments, accelerated amortization and other sources resulted in not only eliminating the Federal tax for those years, but the carry-back of the excess calls for a reduction in taxes paid in prior years, and a restoration of the amount of this reduction, or recovery, to the income of the year in question. On the books it is thus certainly an income factor, but must be distinguished from currently **earned** income.

Earned income is gained by improving the margin between revenues and expenses. The Erie is making strong strides to boost the level of its revenues as described earlier, and it should be mentioned that the Erie has not lagged too far behind the average for the Great Lake district, although the corresponding comparison with the Class I average is somewhat less favorable. But what the Erie needs to find possibly even more than added revenues is a solution to the expense problem, and one that is more basic and more permanent than the questionable expedient of cutting maintenance or even not increasing it in line with a higher level of revenues. The latter was the case with the Erie in 1955.

As previously mentioned, plans for the consolidation of passenger terminals with the Lackawanna at the New York end is one step, and it is understood that there are also plans for joint operation with Erie in the Binghamton-Elmira area, with appropriate track abandonment by one road or the other. Furthermore, the Erie has sold its former 35 mile Jefferson Branch in the Scranton area to the Delaware & Hudson for $3½ million while retaining trackage rights.

Nevertheless much remains to be done on the expense side. It was pointed out in the road's 1954 report that within 10 years the road had spent $162 million to modernize and improve the physical condition of its property, which included the complete dieselization of all operations by the end of 1954. The unsatisfactory result, nevertheless, is that even disregarding the generally poor year of 1954 in which Erie suffered a 16% decline in revenues, there was no significant improvement in its cost ratios in this 10 year period. Even with the revenue gains of 1955 the road's transportation ratio for 11 months through November of last year was up rather than down — viz., 43.7% as against 43.4% for the corresponding 1954 period.

The road's 1954 report points out that new high records were made in that year in the overall efficiency measure of gross ton-miles per freight train hour and in average freight train speed. Although the 65,273 gross ton-miles per freight train hour figure for 1954 is also about as large as for any road, as pointed out in the 1954 report, the 27% gain in this measure since 1946 is one of the lesser accomplishments among Class I roads. This measure is a complex one and is affected by a number of elements besides the mere matter of train speed while actually under way and the heavier loads that dieselization makes possible at the same time. For instance, the decline in ton-miles per car-day that the road has shown between 1953 and 1954 while showing at the same time an increase in gross ton-miles per freight train hour and the more meager gain in the per car day measure over a longer period including better traffic years suggests possible room for improvement in car handling in yards and at terminals.

Highly leveraged and thus more sharply responsive to changes in the level of earnings, Erie common has speculative appeal in view of expected developments and also in view of the yield of almost 7% that is produced by the $1.50 dividend rate assuming that this can be maintained by a real improvement in earning power.

Intermountain Secs. Add

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With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Lewis W. Schaub is now with Mountain States Securities Corp., Denver Club Building.

Trenton Trust Company

TRENTON, NEW JERSEY
Organized 1888

STATEMENT OF CONDITION, DECEMBER 31, 1955

ASSETS

Cash on Hand and Due from Banks	$12,578,687.61
U. S. Government Securities	18,057,318.49
State, Municipal and Other Public Securities	12,005,954.86
Other Bonds and Securities	3,525,180.89
Loans and Discounts	24,848,080.35
Banking Houses, Furniture and Fixtures—Equity	1,040,585.47
Other Real Estate Owned, Net	1.00
Accrued Interest and Other Assets	300,643.34
	$72,356,452.01

LIABILITIES

Deposits		$66,519,528.70
Unearned Discount, Accrued Taxes, etc.		924,015.86
Dividends Payable—		
Preferred Stock—Class "A"		17,913.20
Preferred Stock—Class "B"		40,000.00
Capital—		
*Preferred Stock—Class "A"	$ 268,698.00	
*Preferred Stock—Class "B"	400,000.00	
Common	280,000.00	
Surplus	1,604,000.00	
Undivided Profits	1,172,217.04	
Reserve for Contingencies	234,419.21	
Preferred Stock Retirement Fund	895,660.00	
		4,854,994.25
		$72,356,452.01

* privately owned.

U. S. Government obligations and other securities carried at $2,050,000.00 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Preferred Stock, Class "A"—44,783 shares, par value $6.000 per share. Retirable at $20.00 per share and accrued dividends.

Preferred Stock, Class "B"—20,000 shares, par value $20.00 per share. Retirable at $100.00 per share and accrued dividends.

Common Stock—28,000 shares, par value $10.00 per share.

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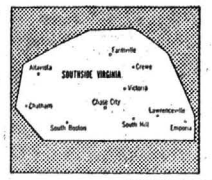

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tentialities. In the classification yards, electronics is making possible push-button sorting of freight cars into the proper trains, with the speed of a free wheeling freight car automatically controlled on the basis of its weight, how far it has to go, the consistency of the grease in its bearings, and so forth.

Electronics is being used to expedite accounting and handle train reservations. Television is permitting remote control switching classification and inspection. Under development is a device which will electronically identify a train and set signals and switches accordingly.

All of these developments have peen pursued by the New Haven Railroad. In 1955, the New Haven made considerable progress on its modernization and improvement programs despite the ravages of two major floods which inflicted over $10,000,000 worth of damage. Programs undertaken and substantially completed during the year included the installation of 20,000 tons of continuously welded rail, the largest such program in the east; the rebuilding of nearly 1,000 box cars and 500 gondolas; and the demonstration of America's first full scale train to be operated by remote control. Numerous other improvements included the ordering of electronic reservation equipment and the purchase of an electronic brain to simplify accounting.

Besides the technological improvements which are being effected, the railroads are hopeful that Congress may act to restore some semblance of equality to national transportation legislation. A Cabinet Committee on Transportation last year submitted to the Congress recommendations which would, if made into law, place greater reliance upon competitive forces in the transportation field and which would also strengthen our common carrier system. As matters stand today, government fiat, rather than value of service, determines who gets the transportation business. Thus, the public is often denied the opportunity to receive the best transportation at the lowest cost, and at the same time the carrier best able to perform this service is denied the opportunity to do so.

The common carriers, which comprise all the railroads and many trucks, are the backbone of our national transportation system. They serve all shippers, regardless of size, and transport anything, anywhere at any time. Common carriers have much to gain from adoption of the recommendations of the Cabinet Committee report. The unregulated carriers, because they now can pick and choose their traffic in a manner calculated to skim off the cream of the transportation business, are opposed to the report, of course. Under existing transportation rules, the unregulated carriers enjoy distinct advantages which they will, understandably want to preserve.

The railroads are confident that Congress of the United States, whose very foundation rests upon freedom, will grant to the common carriers the freedom to compete for business on an equal basis with their competitors.

JOHN E. McKEEN

President and Chairman of the Board, Chas. Pfizer & Co., Inc.

Almost unanimously, economists expect the current upsurge in business activity to carry over into 1956, but at a somewhat diminished pace. Even though cutbacks in automobile, production and housing construction have been forecast, the Gross National Product this year is expected to go above the $400 billion level.

John E. McKeen

As one indicator of continued good business activity, planned capital outlays for expansions and modernizations in 1956 are expected to equal or exceed last year's despite shortages in some raw materials, particularly steel.

Chemical sales last year rose to an estimated $23 billion—17.6% over 1954, and expanding industrial activity this year naturally will be reflected in continued demand for chemicals. In addition to serving the conventional needs of the industrial economy, chemical sales prospects for 1956 have been strengthened with new products which have emerged from the industry's laboratories over the past year.

In the pharmaceutical segment of the industry, last year's estimated sales volume at the manufacturer's level of more than $1.1 billion probably will be topped in 1956 by a moderate gain of 3 to 5%. Here again, research developments of the past year—including more potent anti-arthritic hormones, the Salk vaccine and more than 500 other new products and dosage forms—are expected to add to the sales volume, but the competitive nature of these products will limit the increase.

Looking beyond 1956, the long-term potential for chemical industry growth still appears promising. In the past decade chemical sales volume has more than doubled, and in the decade ahead U. S. industry will be serving a domestic market in need of 40% more goods and services. In addition, despite stronger foreign competition, overseas markets certainly will broaden as world living standards rise.

But beyond these gains, the industry's growth in the future, as in the past, will be fostered by the development of hundreds of new products designed to meet basic human needs for food, clothing, shelter, health, transportation, communications, and industrial tools. Research—the basic stimulus to the industry's vigorous growth in the past quarter-century—will continue to be the pacesetter in the years ahead.

With this rapid expansion, however, our shortage of scientific manpower is likely to become even more pressing. The chemical and allied industries currently require a force of some 17,000 research scientists and engineers backed by thousands of skilled technicians. Yet the current rate of graduates with degrees in chemistry or chemical engineering falls far short of both present and future needs.

Here then is an imposing challenge to our secondary school educators—a challenge to cultivate the scientific brainpower which will help insure the nation's growth, prosperity and continued leadership in world progress.

SIDNEY MAESTRE

Chairman, Mercantile Trust Company, St. Louis, Mo.

Business activity at the start of 1956 was at the highest level in history. Many of the statistical indicators were at record levels, and most of the remainder were approaching all-time records. The general level of prosperity did not, however, extend to the agricultural sector and there is no expectation of a recovery in that area in the next year. It is anticipated that business activity will continue at a high level in other sectors of the economy. Plant and equipment expenditures are expected to rise, and consumers apparently intend to spend at about the same rate that they did in the last half of 1955. They may not, however, purchase the same types of commodities. Automobile sales, for example, will be lower in 1956. Construction expenditures will advance, although residential construction expenditures will probably decline moderately.

Sidney Maestre

Under these circumstances, it is understandable that there is considerable discussion of the problems of a "full employment" economy. We are now operating at levels very close to maximum output, and the monetary authorities are attempting to limit credit expansion so that the economy will continue to grow while restraining inflationary pressures. This objective requires a very careful balancing of the monetary and fiscal polices of the Federal government. It has long been believed that, while an "easy" money policy could not by itself induce a business expansion, a "tight" money policy could curb an unsound expansion. Now it is becoming obvious that the monetary authorities are having difficulty in restraining inflationary pressures by monetary actions. This problem is now confronting them. There is some danger, however, that the anticipation of further inflation may lead to unwise inventory speculation. If belief in inflation becomes too widespread, it may be impossible to prevent an inflationary spiral.

No appraisal of business trends is complete without considering the unfavorable as well as the favorable factors. It is possible that the depression in agriculture will spread to other areas. The optimistic estimates of plant and equipment expenditures may be revised downward if individuals curtail their expenditures in order to pay outstanding debts. A review of the forecasts made at the beginning of 1955 show that no one expected a recovery of the magnitude actually experienced, and current estimates could be equally inaccurate. Finally, the struggle between the Eastern and the Western powers may influence the trend of business in an unexpected way.

DONALD H. McLAUGHLIN

President, Homestake Mining Company

The past year unfortunately brought no relief to the hardpressed American gold miners. The pinch between the prewar price of gold and rising costs actually became more painful than ever as the cost of labor and materials required to run a mine continued to rise in spite of complacency in high government and banking circles that the depreciation of the paper dollar had been checked. (Indices based on diverging figures are apt to give a rather false confidence about the degree to which prices and inflation are controlled. If we could lubricate our hoists and other machinery with rancid butter and use farm surpluses for fuel in the power plants, such averages might be reassuring; but they are of little significance in operations where wage rates and prices for steel, machinery and other comparable items largely determine costs.)

D. H. McLaughlin

Traditionally under the gold standard, gold mining is in a somewhat depressed state in times of general prosperity, and under current conditions the industry would probably have accepted its lot without too much complaint, if it were not for the unusual restrictions and practices that intensify the hardships of the times and prevent the corrective measures that normally would bring about some relief.

Although its role in the monetary mechanism is by far the dominant function of gold, the so-called industrial uses of the metal in the past decade have taken a surprisingly large part of the annual output. Indeed, in the United States, the consumption of gold for such purposes has exceeded the output of the domestic mines by a substantial figure. All gold produced from the ore deposits of the country must, of course, be sold to the Treasury (with the exception of unrefined or treated gold recovered from placers, which enjoys certain special prerogatives for reasons that are of more political than geological or monetary significance). The Treasury, however, supplies the licensed users of gold with the metal at the monetary price, even though this results in a drain on the gold stock that is greater than the annual increment from the domestic mines. In a very real sense, this procedure amounts to a subsidy for the users of gold at the expense of the miners.

This inequity could be simply corrected if the right to buy, sell and own gold were restored to American citizens and if sales of gold by the Treasury to industrial users at the monetary price were terminated. Gold for such purposes would then be supplied by the producers at whatever price the metal might command on a free market in response to the available supply and the demand. With the dollar convertible into gold at the official monetary price through foreign central banks, there is little chance for the price of gold on such a market rising much above $35 per ounce, at least as long as dollars were plentiful in foreign hands. Consequently, the benefits to the gold producers, if this action were taken, are likely to be negligible; but it would be a step in the right direction. Legislation to accomplish this end will probably be reintroduced in the Congress in the present session. Since it does not involve existing monetary procedure related to gold, it is hoped that the bills will not be actively opposed by the Treasury and the Federal Reserve Board; and since no change is proposed in the current monetary ratio between the dollar and gold, the bills should not draw the sharp criticism that is usually directed by a certain group of economists toward any effort to raise the price of $35 per ounce.

For the best interests of the country and the stability of international trade, however, as well as for the welfare of the gold mining industry, the need is as great as ever for restoration of the gold standard with the already depreciated dollar adjusted to the more stable value of gold and with reestablishment of free convertibility. At present, in spite of the domestic restrictions on ownership of gold, the United States is still on the gold standard in the international sense. The dollar is still supported with gold at a ratio established before World War II, in spite of the severe depreciation of the currency brought about by the immense expenditures and debts arising from the war and the subsequent troubled peace.

The pattern of the present boom, in which the feverish activities resulting from monetary inflation surely play a large part, is perhaps not closely parallel to that which prevailed in the late '20's and certain unsound practices of the earlier period appear to be absent; but even so, the analogy between the current policy of maintaining the 1934 price for gold and the efforts 25 years ago to maintain the 1914 price of gold is worrisome. In the earlier period the holding of the overvalued pound sterling and then the dollar too long at the old ratio undoubtedly had much to do with increasing the severity of the subsequent depression. It may well be that a wise adjustment of the paper currencies to gold at this time would do much to keep the inevitable reaction to the present growing inflationary boom within controllable limits; and the warnings of such students of the problem as Dr. Holloway, Philip Cortney and the late Dr. Rist should not go unheeded.

In times such as these, the output of gold from the mines of the world would be expected to decrease, as marginal operations were forced to close and available ore reserves curtailed as costs advanced. Fortunately this has not occurred due largely to favorable developments in South Africa which far more than offset difficulties elsewhere.

On the Witwatersrand, profits from uranium in the gold-bearing reefs have rescued a number of old mines that were close to their end, and the decline in production that had been anticipated has been indefinitely postponed. Maintenance of production from these operations at full capacity together with increasing output from the newly developed mines of the Orange Free State will probably establish a new record for this major gold field, at least for annual quantity of gold though not for profits. With 11 or more uranium plants in operation and ore from around 26 mines being treated in them, a new element, independent of the economics of the gold industry, has been introduced, with the result that the decline of the central Rand and of immense operations such as Randfontein that were approaching the extinction of profits has been checked. Additional revenues from uranium will add vast tonnage of marginal ore to the available reserves and extend the limits of mining even beyond the present extreme depths. (The present record is held, I believe, in the Crown Mine which has reached a depth of 9,876 feet.)

In the United States the Homestake retains first place among the gold mines of the continent by a comfortable margin and still ranks as fifth in the world in spite of the growth of the more prosperous giants in South Africa. The Golden Cycle Mill in Cripple Creek, the dredging companies in California, and the base metal smelters are still making a substantial contribution of gold, but few of the small operations have been able to survive, as inflationary factors beyond the control of the companies continue to force costs upward to a degree that can be only partially offset by technical improvements of one sort or another. The record to date is one in which management is justified in taking pride; but it is discouraging to have the fruits of good work lost through inflation.

Canadian gold output should be a little higher than in 1954 when the industry was so severely plagued by strikes. It probably will be close to 4,550,000 ounces, though the mortality for gold mines continues to be high. Shutdowns during the year have reduced the number of

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producing mines to 60, whereas in 1953 there were 94, and four years earlier, 122.

Recent reports from Russia (such as the article in the New York "Times," on Sunday, Dec. 11, 1955) assert that the annual output of gold in the Soviet Union is now about 12,000,000 ounces, which would place it close to that of South Africa. In the absence of definite information with regard to the actual operations, some scepticism with regard to this figure is justified, but there is little doubt that Russian production is considerably in excess of Canadian. It may well be more than the combined output of Canada and the United States, and indeed be nearer the Rand than the next lower country. The accumulation of gold in Russia since the war is bound to have been substantial. The writer in the "Times" estimates the stock to be of the order of 200,000,000 ounces, though from the best guesses with regard to the production over the past two decades that seems rather on the generous side.

In any event, however, the Russians undoubtedly have a mass of gold that will provide them with financial power of very impressive magnitude. Indeed, the amount at their disposal may be not far below the available gold of the United States, when allowance is made for the short-term dollar holdings and other claims against our stock. That the Russian gold can be a dangerous weapon in the economic conflict between the Communists and the free world is obvious. Let us hope that the great strength provided by the substantial stock of gold still in American hands will be recognized in time and not dissipated by failure to use it most effectively and in its traditional ways to gain our ends.

WALTER P. MARSHALL

President, The Western Union Telegraph Company

1955 was a year of outstanding financial and technological progress for Western Union. With the huge communications potential inherent in the development and growth of integrated data transmission techniques, the ever-broadening application of facsimile, and other advances in the telegraph field, the telegraph company sees no boundaries to its continued progress in 1956 and the years ahead.

Walter P. Marshall

Net income of $10,300,615 from operations for the first ten months of 1955 alone exceeded the entire year's earnings of $9,384,986 for 1954. The company's stock was split 4-for-1 in May and, in five months, one of the primary objectives was realized; the number of share owners increased 25%, indicating wider investor interest and ownership in the company. In July, an additional 1,000,000 shares of stock were offered to the shareowners, and these were promptly subscribed for.

Western Union also refunded its entire bonded indebtedness for 25 years in 1955. The company's debt has been reduced in seven years from more than $70,000,000 to $38,500,000, at an annual saving in interest of more than $1,800,000.

Western Union is the world leader in the facsimile telegraph field. More than 25,000 firms have Desk-Fax facsimile sending and receiving machines installed in their offices, and more thousands of companies will be equipped with these electronic messengers next year. With the Desk-Fax, businessmen send and receive their telegrams instantly in "picture" form by merely pressing a button. More than 23,000 other firms are equipped with printing telegraph machines with which they also can send and receive telegrams quickly and conveniently over Western Union's high-speed, automatic national network.

Facsimile systems, known as Intrafax, are being leased by Western Union to a wide variety of businesses. These ultra-modern systems provide fast and efficient "picture" communications between scattered departments, offices and buildings.

Another electronic facsimile system, Western Union's "Ticketfax," was placed in use by two major railroads for the handling of Pullman and reserved coach tickets from main ticket offices to railroad stations. Through the use of Ticketfax, railroad passengers receive tickets immediately at the counter, even though the main ticket office is miles away.

Western Union's revenues from the leasing of private telegraph networks to industry and government have grown from $6,200,000 in 1948 to a current annual rate of $30,000,000. New private wire networks were leased in 1955 to firms in the trucking, aviation, airline, railroad, paper, aluminum, fruit and vegetable, oil and other industries, while many other systems already in operation were expanded.

The rapidly growing use by industry of integrated data processing to meet the needs for up-to-the-minute sales, production, payroll and other control data is a major factor in increasing the demand for Western Union's specially-engineered private telegraph systems. A 12,000-mile network, the first system specifically engineered for data transmission, is now being installed for Sylvania Electric Products, Inc. and will link their offices and plants in 51 cities with a giant electronic brain in Sylvania's data processing center at Camillus, N. Y. A 10,000-mile transcontinental network being installed for E. F. Hutton & Company is competely automatic and includes many radically new features to meet specific requirements of brokerage firms.

WALTER O. MENGE

President, The Lincoln National Life Insurance Company, Fort Wayne, Ind.

We do not know of any way to predict the future other than by projecting the fairly recent past. The year 1955 has been one of extremely active business. Real estate construction has been at close to an all-time high, and automobile production has broken all records by a substantial margin. Employment has attained a level from which it can rise significantly only as the population increases. It is not surprising, therefore, that sales of life insurance in 1955 should have exceeded all previous levels. As the year has drawn to a close the demand for the savings accumulated by life insurance companies, now amounting to some $6 billion annually, has increased sharply. The demand for such funds on the part of our economy has temporarily, at least, outstripped the supply.

Walter O. Menge

Looking ahead to 1956 we cannot envisage any such notable upsurge in our economy as took place from 1954 to 1955. The machine is already running at the limit of its practical capacity. If we are to avoid another round of inflation, curbs on the use of credit will have to be kept in force. New ones may have to be applied, especially in the field of consumer finance, where the volume of outstanding debt is increasing at a disquieting rate — which casts a shadow over future purchasing power.

The discontinuance of a high level of residential building in 1956 is likely, although probably at a modestly lower rate than in 1955. Continuance of the 1955 level might indicate overbuilding, already evidenced by a rising vacancy rate in certain areas. Also the supply of credit necessary to maintain the 1955 level would have distinctly inflationary implications. The supply of real savings in the country, while large, has definite limitations; and any attempt to artificially expand this supply is synonymous with inflation.

The volume of new life insurance written in 1956 will, no doubt, keep pace with, or even tend to outpace, the expected high level of the national income. In spite of the large volume of new life insurance written in recent years, the country is still under-insured when one takes into account the much higher level of personal incomes and the need for insuring against their discontinuance.

Taking into account the favorable mortality being experienced, the profitable basis on which funds may be invested, the relative freedom from investment losses, and the expanding demand for our product, 1956 promises to be a good year for the life insurance business.

CLIFFORD W. MICHEL

President and Treasurer, Dome Mines Limited

The gold mining industry, in Canada and the world over, continues to be squeezed between the ceiling of a fixed U. S. Government buying price and the rising floor of production costs generally. In spite of this, both the world production and Canadian production of gold, expressed in ounces, increased in 1955 and will probably show a further modest gain in the year ahead. In Canada, the increase of about 4% experienced in the year 1955 is attributable in part to the greater amount of by-product gold recovered by the booming base metal industry. In addition, the higher dollar value received for the gold produced, arising from the gradual return to parity of the Canadian dollar with the U. S. dollar, stimulated production in a few of the lower cost producers.

Clifford W. Michel

In the opening months of 1955 when the Canadian dollar was at a premium of 3% or more, the gold production was paid for at a price equivalent to less than $34 per ounce. By the end of the year, with the premium gone, the gold producers received almost $35 per ounce. Offsetting this price improvement was a reduction in the cost aid assistance received from the Canadian Government which declined by about one-third in total amount as compared with the previous year. Under the terms of the revised Gold Mining Assistance Act benefits to the low cost producers were virtually eliminated. The continuation, however, of the Assistance Program will help to keep in production the high cost producers and should

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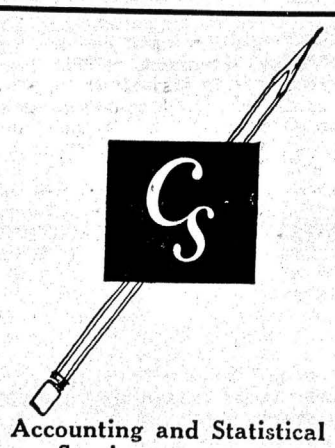

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sustain the over-all rate of production for the industry in 1956.

The ultimate key to the industry's profit making potentials, of course, rests in an increase in the price of gold commensurate with the increase in the uncontrollable costs incurred in producing it. Pending this event, the managers of the industry can only scan every item of controllable costs and squeeze the fat out of it. Incident to this process is the introduction of more and more mechanization which has, and continues, to increase the production per man shift. Of necessity, there are limits to which this process can go, for the nature of a vein mining operation does not lend itself to automation as it is known in the mass production industries.

On the matter of the price of gold, the United States Treasury continues to resist the demands of its co-members in the International Monetary Fund for a higher price. At the September meeting Great Britain at last joined other Commonwealth members in supporting the agument that a higher price for gold is needed so as to increase the value of gold reserves of the central governments of the world. The South African representative has long pointed out that the gold reserves of the free world are insufficient to finance a volume of trade that is today some 65% larger in volume than before the war and 400% greater in value expressed in depreciated currencies now in circulation. Perhaps England's change in attitude is understandable in the light of their own experience in the year 1955 when the sterling areas' gold and dollar reserves declined from $2,760,000,000 to $2,120,000,000, 23% below the year's opening level.

Opposition in the United States to a rise in the price stems from a belief that such a move would only add to the inflationary fuel and counteract the efforts of the Treasury and the Federal Reserve Board to put a lid on the present boom. However, a sustained dip in the volume of free world trade, or the nonexistence of a state of "full employment" in the United States, could well serve to set in motion the forces that would lead to a rise in the price of gold, which metal still serves as the basic reserve for the world's currencies and credit.

R. L. MILLIGAN

President, The Pure Oil Company

The Petroleum Industry entered 1955 under the sobering influence of having experienced a year of slackening demand and carried over heavier inventories of crude and products. As the past year progressed, the increasing tempo of industry generally, and more careful refining schedules in our industry, brought about a better adjustment between supply and demand.

R. L. Milligan

As we enter the New Year, the feeling is general that we may reasonably look forward to a somewhat reduced rate of increase in demand approximating 4%. The industry is geared to a program of capital expenditures of similar proportions to that of the past year. In this program emphasis will likely continue to be placed upon exploration for and production of crude oil and facilities for increased manufacture of higher quality gasoline and more efficient refining.

In spite of the very heavy drilling programs over the years, the results have been disappointing in the rate of discovery and the greatly increased costs of finding oil. Drilling bits are reaching to lower and lower horizons in the ever pressing search. Prices for crude and products do not reflect the present costs of exploration and development and of the higher costs for expanding octane numbers in gasoline, as well as for wages generally and other attendant costs. Experience over many years in vanishing areas favorable for exploration places increased emphasis upon the need for the much attacked depletion allowance in the tax structure.

The last general increase in crude oil prices occurred about 30 months ago. In spite of increased costs in the interim, the attendant increase in products prices has been largely cancelled. The artificial situation of excess capacities in the industry at the request of government for defense purposes continues to carry its over-burden of pressure. The retail marketing segment has been almost constantly beset with regional price wars. Seemingly some of these disturbances have resulted from unreasonable relationships in the price structures in some areas. Courage is called for in dealing with the situations of maladjustment.

The problem of imports continues with even increased severity. The heavier impact rests upon the domestic producers. We recognize some of the problems of foreign producers and the need for a reasonable relationship in the balance between domestic production and imports. We do not favor governmental regulations of imports. However, there is placed added responsibilities upon importing companies to improve their qualities of statesmanship in dealing with the problem and to be ever mindful of the foundations of their own prosperity as well as of all others.

The industry continues to live under the cloud of Federal regulation of the production of natural gas. We believe the decision of the Supreme Court in the Phillips case is contrary to the expressed will of the Congress when it enacted the Natural Gas Act. There is no monopoly in the production of natural gas, as there necessarily is in the distribution of gas and electricity in the public interest. Consequently no public regulation is indicated or desirable in the common good. Already the supply of natural gas failed to increase during this period of uncertainty. Thousands of consumers are calling for gas. Short-term objectives of those opposed to the enactment of the Harris Bill by the Senate, as passed by the House, can well result in curtailment of supply and a trend toward intrastate use of natural gas where it is produced. There can also result a displacement in industry which would tend to locate where gas is available. The petroleum industry can rest its case upon the facts of reasonableness in the relationship of prices received for natural gas at the wellhead to the prices paid by the consumers. The long-time regulated public utilities receive 90% of the prices paid by the consumer, only 10% going to the producers.

The petroleum industry has a great interest in the highway problem. It looks for an early solution to the problem of eliminating the bottlenecks of traffic, which according to surveys exist essentially in 20% of the highways, largely the approaches to urban areas. This problem can well be solved by the states under favorable Federal coordination.

The industry will continue to strive to become more efficient in providing the most effective and mobile source of power for the development of our nation's resources and improvement in our standards of living—the basis for the strength of our great land.

HON. JAMES P. MITCHELL

Secretary of Labor

The new year is starting with employment and income at record highs after a year of very sharp gains. The demand for the goods and services produced by our unprecedented number of employed workers is still so strong that I fully expect the economy to make further solid gains. There are many signs that workers' income will continue to grow, and if we steer clear of the hazard of inflation—and I believe we shall—the purchasing power of American families will keep pace.

James P. Mitchell

Our nation is not only improving its day-to-day standards of living but is also building for the future. Investment demand is on the rise to new peaks while construction outlays already underway or planned for the new year are expected to result in the greatest construction year in our history.

Among the forces behind increased income for workers are important wage increases already agreed to. At least two and one-half million workers are covered by agreements which specify substantial wage increases to go into effect in 1956. In addition, the effect of the many wage increases that were negotiated last year will spread through industries not immediately affected by these increases, although the amounts will certainly vary. Another important factor is the new $1.000 minimum wage that will lift some two million workers on to a more equitable wage level. The new minimum becomes effective on March 1.

It would, of course, be unrealistic to expect the sharp percentage gains of 1955 to be repeated in 1956. This is because so many of our key industries are now virtually at capacity. In addition, some skill shortages are beginning to appear. Rather, I look forward to a consolidation of strength and a steady, sure growth based upon record population growth and an ever higher and more widely based standard of living. Many industries ran into shortages this year—not only steel but also such diverse enterprises as building materials and paper. Those shortages highlight only some of our needs. We need more schools, more highways, more railroad cars and more shopping centers to catalogue but a few of the needs which result when we expand the real purchasing power of the American family.

Important in the economic success of 1955 were the great number of collective bargaining agreements, many quite large, that were negotiated with dispatch and understanding. I am fully confident that the collective bargaining process will undergo many more improvements this year and will remain the appeal to reason and fair play it has become. Management and labor in this way will divide equitably the increasing fruits of our improving technology, so that both productive capacity and purchasing power will be able to rise.

In this respect, I want to reaffirm my belief that we are about to enter an era of labor-management peace, an era supported by the strength of the economy and characterized by that sense of responsibility that is a hallmark of industry and labor in a free society.

Because the coming year promises to be one of continuing growth, more attention can and will be given to the problems of those who have not thus far shared in the general economic gains. The problems of such groups can be seen more clearly in a time such as now. Effective steps can be taken to help them share in the general abundance.

The Department of Labor will thus bend its efforts this year toward helping to rehabilitate the remaining areas of substantial labor surplus, toward the elimination of job discrimination of all kinds, and toward further advances in workmen's compensation, unemployment insurance, social security and other measures that bolster the security and confidence of workers.

GEORGE L. MORRISON

President and Chairman of the Board
General Baking Company

The Fields Are Ripe . . .

The overall picture of the year 1956 is justifiably optimistic. The initial shocks and apprehensions that came with the adjustment to the peacetime economy have been absorbed in a healthy manner and have expressed themselves in a continuous upswing in the consumer's purchasing confidence.

George L. Morrison

A phenomenal rise in the national economy continues in spite of the intermittent expressions of alarm from sources who do not seem to understand that the very structure of our country and the fundamental principles on which it was founded, if left to grow, cannot help but exceed the most optimistic dreams of even the least fearful economic forecasters.

This country was made for bigness and widely distributed bounty and a higher standard of living for everyone. The consumer is merely expressing his faith in his right to these things by buying more of everything, thus creating in the economic cycle a condition calling for increased employment and overall expansion of industrial activity.

In the baking industry, we are aware of the fact that although the increase in population and national income guarantees an increase in the consumption of food products, the baker must be extremely alert if he is to obtain a greater share of the increased market in order to show profit proportionate to the overall consumption. A widening variety of food products distributed by those outside the baking industry, continues to make direct inroads on baked goods, thereby placing the responsibility on the baker not only to intensify his competitive efforts within his own industry, but to meet the direct competition of manufacturers whose products are absorbing a portion of the market usually belonging to the baked goods manufacturer.

In the case of General Baking Company we are prepared.

We feel that in a surging economy abounding in optimism, the greatest danger is to ride with the tide, accepting as a symbol of success the normal volume increase which would result. The modern procedure is to fight with every competitive weapon and application of research findings in order to gain the greatest possible share. With these facts in mind, we have been continuously studying consumer habits and examining the constant growth of outlets for our products. We have planned for ourselves a completely new and thoroughly integrated advertising and promotional program, which includes a complete redesign of our whole package line, in order to assure more rapid indentification at the point of sale and greater sales results from our general advertising. We continue to develop and improve products and intend to expand into comparatively untouched markets, while at the same time developing existing markets through intensified sales efforts and the introduction of related food products.

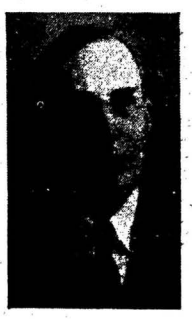
The burdens imposed on the bakers of increasing production and distribution costs are made more complex by having comparatively established price levels. But, in my estimation, American ingenuity, coupled with constant analysis and research, plus the major factor of faith, can overcome even these barriers.

The fields of opportunity are ripe and it is up to us to cut for ourselves an abundant share.

J. D. A. MORROW

President, Joy Manufacturing Company

This article refers primarily to the mining industries. These industries represent something more than half of Joy Manufacturing Company's markets. The other portion of our business represents sales to manufacturers and industries other than mining. Nothing said here will apply to this latter phase of Joy's look ahead.



J. D. A. Morrow

Nearly all the extractive mineral industries should have excellent business throughout 1956. Minerals are the basis of our modern industrial civilization and growth. The backward countries realize this truth. As they start to develop their own local economies, they are forced to the need first to produce their own minerals. Consequently, all over the world the search for minerals of all kinds is increasing. Manufacturers who serve this market, therefore, can look for active business in this field.

Coal mining appears to have started a new and continuing cycle of growth. Bituminous coal production in the United States in 1954 was 392,000,000 tons. This will probably turn out to be the lowest annual output of bituminous coal produced by this country in the foreseeable future. Output for 1955 is unofficially estimated at close to 470,000,000 tons. Joy's' market research studies indicate that output in 1960 will reach 580,000,000 tons and, by 1970, may climb to 780,000,000. This growth in coal consumption is based on rapidly expanding requirements in the electric power industry, on increase in steel production, on the shift by aluminum producers to coal as a primary source of power for their future

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Giving Them Hell, Again

"That (forcing farmers to sell out) is part of the plan of the Eisenhower Administration. It is out of sympathy with the needs of agriculture.

"They love International Harvester and General Motors, but they are rather cool to the old dirt farmer. . . . . If the Eisenhower Administration had been really concerned about the condition of the farmer, they would have done something about it long before this.

* * *

"Today, the prosperity of our agriculture is . . . in danger, and the welfare of our family farms is in danger, too.

"The worst is yet to come. Because, this year support prices are going to slide even farther down Benson's sliding scale, and the farmers are going to slide right into the abyss of bankruptcy.

Harry S. Truman

* * *

"The present mess in agriculture is clearly attributable to the Eisenhower Administration. The blame lies nowhere else. They have been following a deliberate policy of driving farm prices down."

—Harry S. Truman.

As our readers well know, we have no admiration whatever for the farm program of either the Truman or the Eisenhower Administration. We do think, however, that discussions of these matters should be kept within the bounds of truth and the amenities.

Continued from page 14

The Marketing Revolution

consumers with their uses and middlemen with their availability;

(2) It assists in the expansion of a market;

(3) It helps to obtain desirable dealer outlets through making it easier for dealers to sell;

(4) It prepares the way for the salesman through acquainting prospects with the name of the company and the merits of a product;

(5) It informs potential customers of new developments and new applications of existing products, as in the case of major plant equipment;

(6) It affords the seller—where catalogs are used—with representation even when the salesman is not present. All these uses, of course, should result in increased sales and profits.

So great is the reliance upon advertising today that I would worn you that some users have expected far too much from it. They have assumed that an expensive advertising campaign might make up for a poorly selected channel of distribution; or that it could help sell a product which was of unsatisfactory construction, overpriced, or not even desired by many customers. A few have anticipated a great increase in sales as the result of advertising for a short period.

Those who have the foregoing expectations are guilty of wishful thinking. Advertising is but one factor in a successful selling program. It gives best results when used continuously for a product which customers want, which is well priced, designed, and constructed, and which is sold through adequate trade channels. On its own part, advertising will not contribute its share to the sales program of the manufacturer, wholesaler, or retailer unless it is carefully planned in advance, proper appeals are selected and presented, the right type of media are used, and its cost is not excessive.

Some Failures in Meeting the Challenge of the Marketing Revolution

We have been discussing four of the adjustments business has made to keep up with the Marketing Revolution. In these four areas — recognizing the customer point of view, emphasizing marketing research, stressing the significance of product planning, and relying upon advertising as a selling tool—we have done reasonably well. Now may I point to two areas in which it seems to me we have failed to reach the new frontier—failed to meet the challenge of the revolution in marketing. Our first failure may be put this way: The Marketing Revolution has caught many companies without adequately trained marketing personnel. I am sure that there is not a person in this room to whom I need to sell the proposition that personnel is the most important factor in the success of any company—or for that matter, any college, any church, or any government. Despite this fact, all too many companies of the present day are using marketing personnel which is poorly trained.

Of course, I am well aware that this lack of capable marketing personnel has been accentuated by World War II and the boom years which followed it. For a number of years, all of us lived in what we now know was a fool's paradise. It was a period of limited competition in which we were able literally to "get away with murder." This fact was brought home to me in a most forceful way several years ago when I was here in Toronto to address the Canadian Retail Federation. Walking down the street, I noticed a sign in a second-hand furniture store which read: "We buy second-hand furniture; we sell rare antiques."

But, today this fool's paradise is at an end. We have reached the point where, in many fields, competition in the years just ahead will be at an all-time high. Obviously, the scope of training for marketing personnel will vary widely from company to company. At one extreme are the relatively simple marketing problems faced by the grey goods mill selling in a highly competitive market. At the other extreme are the complex marketing problems of an organization such as General Electric, with its many products, some of which go into consumer goods markets and some into producer goods markets, and with its many channels of distribution. To meet such problems, it needs a highly trained marketing force. But whether a company faces a relatively simple marketing problem or those that are highly complex, its training for its marketing personnel *differs in degree only*. Each company needs to decide:

(1) How much marketing training its people need.

(2) How much of this training they should have before joining the company, and

(3) How to provide their people with the difference between what they need and what they should have at the time they join the firm.

Once this training program has been developed, it needs to be assigned to someone with both sufficient responsibility and authority to put it into effect. And finally, periodic check-ups are needed to see that the results are those for which the company hopes.

Our second failure to meet the challenge of the Marketing Revolution may be put this way: The growing importance of marketing has found many companies short not only of marketing personnel, but also of adequate marketing organization. It is not enough merely to have good people; in addition, they must be so organized that the firm can get the very best out of them.

Clearly, there is no one best way to organize a marketing department, but I think it is significant to note that all too many marketing departments have expanded without sufficient attention having been given to the way the parts fit together. All too often *this* has been the pattern: Some enterprising individual forms a new company. Cash is limited, and staff is small. The man establishing the company oversees both production and marketing problems. Incidentally, he also handles all matters of finance, personnel, and whatnot. Gradually the company grows. As it does, the founder may pick a member of his staff to serve as an assistant to keep his eye on the marketing end of the business. All too often it happens that this assignment falls to a staff member who, although he is a fine salesman, lacks the abilities of a good organizer and administrator. As the company continues to grow, the marketing department is subdivided. The advertising department springs up; the sales manager comes into existence; a marketing research staff is developed. Frequently these various subdivisions spring up without sufficient thought as to their integration. What the key executives of every company need to do from time to time is to sit down and carefully study their marketing organization. They need to sort out their major and minor marketing functions and to see that their marketing department is so organized that their major marketing functions receive due attention.

In such a study of marketing organization, the executives of each company should keep in mind two simple rules. The first of these is that there are few men in this world who should have more than five to eight other people reporting directly to them. Yet I could give you example after example of American firms in which a single marketing executive will have as many as 20 people trying to report to him. And in this connection I use the "trying" advisedly.

The other rule concerns the delegation of authority. It is still a trait of all too many of us that we simply refuse to delegate to

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IN OUR 88TH YEAR

ASSETS JUST UNDER

$500,000,000

THE EAST NEW YORK SAVINGS BANK

THREE OFFICES -- ALL IN BROOKLYN

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Commercial State Bank
and
Trust Company of New York
formerly Modern Industrial Bank

STATEMENT OF CONDITION
December 31, 1955

RESOURCES

Cash on Hand and Due from Banks	$ 22,044,059.96
U.S. Government Securities	22,486,412.87
Other Bonds and Securities	1,305,710.81
Loans and Discounts	52,873,356.43
Accrued Interest Receivable	132,359.64
Customers' Liability for Letters of Credit and Acceptances	323,803.56
Furniture, Fixtures, and Improvements	817,002.48
Other Assets	244,751.39
	$100,227,457.14

LIABILITIES

Deposits		$ 90,581,971.72
Unearned Discount		875,132.54
Liability for Letters of Credit and Acceptances		323,803.56
Reserved for Taxes and Interest		414,190.59
Other Liabilities		398,647.75
Capital Funds:		
Capital Stock	$2,062,050.00	
Income Debentures	3,750,000.00	
Surplus and Undivided Profits	1,739,233.88	
Reserves	82,427.10	
		7,633,710.98
		$100,227,457.14

Offices

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plants instead of hydro-electric energy, on use of large tonnages of coal in connection with atomic energy production, and on increasing demand in Western Europe for American coal.

Western Europe is short particularly of metallurgical coal. Many deposits of such coal have been mined until they now have reached the stage of declining production. According to Western European steel producers, they may well be increasingly dependent on imports of high grade metallurgical coal from America for the indefinite future. The productivity of American coal mines has made remarkable gains in recent years. This results from a combination of excellent management and the opportunity to use newly developed machines of greater productivity. In this respect American coal mining is far beyond anything in Western Europe, but Australian and South African producers using American methods and equipment, are matching our performance.

Competent authorities estimate that in the next 10 years approximately $1,500,000,000 additional capital must be invested in coal lands, in new mines and underground equipment, and in their surface plants to replace abandoned and worked out mines. This must be done to provide the coal that this country will require for its own and foreign needs.

The growth in the mining of metallic ores and non-metallic minerals is assured for the period until 1970. The coming year appears to be one of definite prosperity for the metal mining industries, reflecting the demand for iron, copper, lead, zinc, manganese, molybdenum, chromium, nickel, vanadium, antimony, and others. Many of these metals are in short supply today and more and more effort will be made to obtain the additional supplies needed to meet an estimated 50% increase in their usage by 1970.

Other metals such as uranium, thorium, zirconium, and lithium, to name a few, whose role in increasing nuclear energy developments has created active demand, face the immediate future in short supply. Their rapidly expanding use offers broader horizons for the sale of mining and refining equipment designed to extract these metals. Light structural metals, such as aluminum, magnesium, and titanium, are finding greater and greater places in this nation's economy.

On the whole, therefore, 1956 bids fair to be a prosperous year for the metallic and non-metallic mining industries and for those manufacturers who are their chief suppliers.

ROBERT H. MORSE, Jr.

President, Fairbanks, Morse & Co.

The needs of America for new capital equipment are enormous. It is widely recognized that the rapid increase in population is one of the most important factors in the business outlook, but there are others of comparable significance.

Robert H. Morse, Jr.

In nearly every phase of industry there is an urgent need to adopt improved processes, and to install modern machinery and equipment. Advances in science and engineering have shown the way to turn out more and better products at lower costs. Vigorous competition makes it imperative that the new ideas be accepted. The alternative is to risk survival.

Still another major factor that makes the outlook favorable for the makers of capital goods, and therefore for Fairbanks, Morse & Co., is the continuous uptrend in wage rates. Under competitive conditions, increased costs cannot always be passed on to the buyer in the form of higher prices but must be absorbed and offset by the use of more and better machinery and equipment.

The impact of both population growth and industrial progress is illustrated by the demand for pumps. Cities are faced with a problem in providing water for growing populations and the heavy demands for water by industry. Everywhere the underground water levels are dropping, and it is necessary to drill deeper and deeper into the earth and use more powerful pumps to bring water to the surface.

As cities grow, pumping systems are needed to move the increased volume of sewage in systems designed for lesser loads. Pumps are being used increasingly also in various industrial applications to move gases, fluids and solids.

In many of today's high speed, automatic processes, scales are providing accurate and automatic measurements of materials. The scales are frequently an integral element in automation. Our own complete line of scales ranges from small bench dial units to railroad track scales with a capacity of 300 tons that can be measured and recorded whether the car is stationary or in motion. The demand for scales in 1956 and beyond should continue the gains made in the year just ended.

The diesel engine, of course, has a bright prospect for the year ahead. The success of the diesel in the railroad field has tended to obscure the wide gains it has made in other fields. The farm tractor, for example, has gone diesel, and it has taken over in countless stationary and mobile applications. The diesel is assured a secure place in industry for many years to come.

Fairbanks, Morse & Co. has expanded its manufacturing capacity by 40% in the last three years in preparation for the opportunities that plainly lie ahead. We have also brought every other phase of the company's operations, such as accounting, price controls, and other non-manufacturing activities, to the highest efficiency possible. Recently we have completed extensive territory analyses that provided the basis for expansion of sales territories.

The very considerable expenditures and efforts involved in these developments are an accurate measure of our appraisal of the business outlook not just for 1956 but for well beyond this new and challenging year.

C. G. MORTIMER

President, General Foods Corporation

There are great dynamic forces at work on the business front.

Although I am no economist, experience in thirty-odd years of food processing and marketing have confirmed for me a belief that, in demanding more value and convenience in the products they buy, the American people are helping create the purchasing power needed to buy them. In other words, the additional jobs brought into being and the additional wealth distributed by the public demand for better living help us achieve ever higher living standards. One authority has labeled this "consumerism," and, for my money, it is the only suitable "ism" for our country and our people.

Charles G. Mortimer

If increased consumption is a key to our prosperity, then a parallel truth is that our success in the food industry depends on how effectively we market our products. We must start our thinking, not in the farmer's fields, but in the consumer's kitchen. Serving the modern consumer has become a **creative** art, with convenience the super-additive that must be designed or built into almost all food products and their distribution, to satisfy today's demanding consumers.

This service-to-the-consumer concept is carried through a broad stream of operations, each of which necessarily adds its increment of cost. But it adds also —and this needs to be stressed—its increment of value to the consumer.

It is this fact that is so often overlooked by critics who harp on the "high cost of distribution," and level pot shots at the "middleman." Indeed, it seems to have escaped many of us that today the majority of people who earn a livehood are in effect "middle people." While all the motions of all these "middle people" add to the cost of the products as finished and delivered, their motions serve three important ends: They make jobs which help to support our economy; they build new markets or broaden old ones, thus adding to business volume; and they create capital and keep it in motion— turning over. In this growing, creative economy the American people, according to the economists, are going to have more money to spend on more things they want—more discretionary income to buy things beyond mere food, clothing, and shelter — things that add up to better living standards. To the grocery business, with its current annual volume of $36 billion, the predicted 25% increase in sales by 1960 would mean a chance to add $9 billion to its volume.

This opportunity should be a spur to those who would hesitate, look backward, and bemoan the fact that times are no longer what they used to be. We need willingness to change. The "good old days" were really pretty drab compared to what's coming.

I believe there is a great new era ahead for all of us whose work has helped to make America the world's best-fed nation.

WM. C. MULLENDORE

Chairman, Southern California Edison Company

The big bubble, which in 1955 was blown on top of the pre-existing inflation boom, was the most forced and synthetic of all the postwar years.

It is now generally conceded that 1955 was another in the series of "boom" years since 1945. This word "boom" was originally created and used to describe the Mississippi River when it was "rising rapidly and overflowing its banks." Since then, it has come into popular use as a term descriptive of a similar condition in the area of business activity. When the volume of business activity rises rapidly and overflows its regular or normal channels, we have a "boom."

Wm. C. Mullendore

Just as river floods are caused by an abnormally high rainfall concentrated in a short period of time, so business booms result from an abnormally high volume of purchasing power (a "rain of checks") falling into and creating a demand on the market in a concentrated, or relatively short, period of time.

The post-World War II Boom will probably be known in history as the "Consumer-Goods" and "Managed-Money" Boom. Consumer debt, which was generally considered to have reached too high levels in 1941, was reduced during the war, but has increased by leaps and bounds to astronomical levels since the war. Short-term and intermediate-term debt has multiplied sixfold and nonfarm mortgage debt has risen from $37 billion to $88 billion since World War II. And in 1955, consumer debt (80-90% of it installment debt) rose by another 20% to $36 billion, and mortgage debt by $13 billion. Fourteen billion dollars of installment debt is owed on automobiles.

The conclusion recently stated by a Federal Reserve Bank official that in 1955 "we drove our productive capacity to unsustainable limits" by "borrowing consumer demand from the future" is amply justified by this evidence. That is, the additional purchasing power which flooded into the market from the proceeds of the increase in consumer and home-mortgage debt caused a still further rapid rise and overflow of business volume in the latest of the Managed-Money Boom years. This flood crest must recede, the flow of commerce must return to its normal channel, and the overdraft upon future earnings power will have to be made good by a painful period of subsidence, probably to a period below the normal level for "too long" a time.

There are many collateral consequences of a boom, such as: excessive living standards built up in reliance upon continuance of the rapid rise; high and rigid wage levels, tax and other cost levels and hence, of "break-even" levels; and, worst of all, there ensues the era of unsettlement, discontent, and disrupted human relations which inevitably flow from a period of downward readjustment—sometimes called by the naughty word "depression."

We have been on a big and prolonged spree. The fundamental principle that a period of excess calls for a period of adjustment or restoration of balance, will inevitably assert itself. The "Welfare State" experiment has tried to hurry "progress" by artificially stimulating production, and redistributing the temporary larger Gross National Product on a more nearly equalitarian basis. The level of consumption thus has been raised through "selective credit control" and other inflationary devices. Just ahead, however, this year or next, there seems to be grave danger that the controls will slip, the brakes will no longer hold, and the fundamental law of balance will again have to be dealt with. Yes, it remains true that what goes up, abnormally, must come down, despite the insistently wishful reliance on a "new era" with its built-in stabilizers.

CLARENCE J. MYERS

President, New York Life Insurance Company

Although final figures for 1955 are not yet available, estimates indicate that new records were set in all major fields. The total of ordinary, group and industrial insurance in force reached $388 billion at the year-end, an increase of 11% over 1954 and 150% since the close of World War II. Life insurance written by U. S. companies climbed to $55½ billion. The assets of the industry increased by a record $6.3 billion to bring the total to $90.8 billion at the end of the year.

Clarence J. Myers

The accomplishments of 1955 confirm our confidence in the future of U. S. life insurance. We believe that the industry will continue to participate in the broad economic advance of the nation, and will grow both in volume and in the services afforded its policyowners. Let us therefore look ahead, and attempt to project where the industry will be a decade hence, at the end of 1965. Since the turn of the century, life insurance in force has grown, on the average and over the long pull, at a rate of better than 7% per annum, which means that the protection provided policyholders has more than doubled every 10 years. Barring wars and major recessions, the total of life insurance in force should approach $800 billion by the end of 1965, and the assets of the industry should reach $180 billion. As a matter of fact, these projections may be much too conservative in view of recent growth trends of the industry. Moreover, the nation is still grossly underinsured to judge by any reasonable standard, so that there is much room for future growth. In 1955 the average U. S. family carried only enough insurance to continue its income for one year and five months. If disposable personal income continues to grow as in the past, our 1965 projection of $800 billion of insurance in force would still provide protection of only two years' annual income. We are therefore understandably bullish about the long-run outlook for the life insurance industry.

We are also optimistic about the immediate outlook for 1956, but our optimism is tempered somewhat by the extremely rapid pace of the recent expansion. Business generally promises to be very good in 1956, but there are possible weak spots in the automobile industry, in residential construction, and in farm income. There are, on the other hand, many elements of exceptional strength. These include—to mention only a few—the high and rising level of consumer income and expenditures, the recent stabilization of Federal expenditures, the enlarged budgets of business for plant and equipment, and the probable increase in expenditures of state and local governments for schools, highways and other public works. Despite the various economic cross currents, 1956 should be another excellent year, although perhaps not quite so exuberant as 1955.

Life insurance sales depend upon many factors, but in peacetime are rather closely related to the level of disposable personal income. Since disposable income is very large and is still growing, we expect 1956 to be another banner year for the industry. Life insurance purchases should exceed the record $55½ billion set in 1955, and the total of life insurance in force at the end of the year should reach about $425 billion. The particular lines of business to be favored in 1956 will probably follow patterns established in the postwar period. In the

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The Marketing Revolution

our assistants the authority which they need to go along with the responsibility which we ask them to carry.

Two Observations for Marketing Men

So much for the failure of many businesses to catch up with the Marketing Revolution. In concluding these remarks, may I very briefly suggest that those of us engaged in marketing need to give recognition to a final pair of observations.

First, while marketing is growing in importance and will continue to grow, it is but one factor in the success of any company. Just because we are marketing people—and that greater recognition is being given to what we do—let's not get too high-hat. Let's not forget that what the marketing department does need is to be integrated with what goes on in the production department, in finance, in personnel. The entire organization must work as a unit.

As a matter of fact, unless there is this careful integration, the marketing department may be asked to do the impossible. Even the best marketing department cannot continue indefinitely to sell a poorly engineered product. Neither can it be counted upon to hold together a poorly financed company. Marketing is but one factor in a company's success.

As a final observation, I have saved the one which I think is the most important one I have mentioned today. It is this: *It seems to me that marketing men must recognize the important part they have to play in the maintenance of a free private economy in your country and mine.*

In the main, both in the United States and in Canada, we have grown great on a system which gives a large amount of freedom to the individual. By taking the individual and turning him free, we have secured high per capita productions. This high per capita production supports a high per capita consumption—a consumption level which is the envy of nations everywhere, and particularly of those behind the Iron Curtain. In the United States, for example, with less than 7% of the world's population, we produce 50% of the world's output; we support more than half of the college students in the world; we have three times as many telephones per one hundred people as compared with the next highest nation, and five times as many automobiles per one hundred people.

Yet during the last 50 years in both of our countries we have taken this individual who has made our countries what they are, and have placed him under increased restrictions, many of which we have allowed to develop in the marketing field. Experience abroad makes it crystal clear that the growth of regulations on the individual eventually results in statism, and that statism results in the loss of those freedoms which your people and mine have long cherished.

There is no country in the world, either today or in years gone by, in which the state has taken direction of its citizens' economic life without also taking away from these same citizens their freedom of speech, their freedom of worship, their freedom from fear for their personal safety. It is only in a competitive economy that free men can exist.

As individuals interested in marketing, you and I have an important job to do. We need to do our part to make a competitive economy work. If we fail, statism with its loss of freedom is inevitable. As we go about our daily jobs of making a living, may each and every one of us realize that we are contributing toward this goal of maintaining a competitive economy. Let no one of us forget that the greatest obligation is to pass on to young men and young women of the future the rights and obligations of a free society.

Smith, Barney Group Offers Lear, Inc. 4¼% Debentures

Smith, Barney & Co., on Jan. 16, offered $3,000,000 of Lear, Inc. 4¼% subordinated debentures, due Dec. 1, 1970 (convertible through Nov. 30, 1965). The debentures are priced at 103%, plus accrued interest, to yield approximately 3.98% to maturity. The debentures are convertible into common stock at $10 per share to and including Nov. 30, 1960 and thereafter through Nov. 30, 1965 at $12.50 per share.

The company is a manufacturer of precision equipment for aircraft and guided missiles, such as automatic flight controls, flight reference instruments, radio communication and navigation devices, electro-mechanical equipment and aircraft pumps. Plants are located in Santa Monica, Calif.; Grand Rapids, Mich.; and Elyria, Ohio.

Net proceeds from the sale of the debentures will be added to the company's general funds and will be available for working capital and other corporate purposes in order to place it in a better position to accept larger orders and undertake new projects for its customers. The company expects to use these funds, among other things, to finance increased inventory requirements and accounts receivable.

Sinking fund provisions require retirement of $150,000 principal amount of debentures annually during the period June 1, 1961 through June 1, 1970, sufficient to retire 50% of the issue by maturity, and, at its option, the company may retire through the sinking fund an additional $150,000 principal amount annually.

With McDonald, Evans

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Fred J. Armentrout is with McDonald, Evans & Company, 1009 Baltimore Avenue. Mr. Armentrout was formerly with Prugh, Combest & Land and prior thereto with McDonald & Co.

FROM THE HERITAGE OF
STUDEBAKER CRAFTSMANSHIP
AND PACKARD ENGINEERING COMES

THE BOLD NEW IDEA

In this exciting, changing land of ours there's nothing quite as spine-tingling to motorists (and that means all of us!) as the news coming out of our automobile capital. And today's news is of THE BOLD NEW IDEA—the idea back of everything Studebaker-Packard Corporation is doing.

What is THE BOLD NEW IDEA? It is simply this: We believe that cars can be built on modern production lines without sacrificing craftsmanship . . . that our goal must always be to build *not* the most cars but the *best* cars . . . that individuality of design and true pride of workmanship are not dead, but live, today, stronger than ever in the new Studebakers, Clippers, and Packards.

Now you can see the first cars born of THE BOLD NEW IDEA:

★ . . . a new Packard deliberately designed to upgrade America's idea of luxury cars — a car destined to be the *new choice* in fine cars, as it was America's first choice for thirty years!

★ . . . a new Clipper deliberately designed to set new standards for medium-priced cars—with features and lines found in no other car within hundreds of dollars of its price!

★ . . . a new Studebaker deliberately designed to set the low price field on fire — a car that outstyles, outperforms, and outvalues any other in its price range!

In short, you'll see a brilliant array of new motorcars in every price class—cars built to the highest standards of craftsmanship in the industry today—cars that are the embodiment of THE BOLD NEW IDEA.

STUDEBAKER • CLIPPER • PACKARD

Fine cars in every price class — products of Studebaker-Packard Corporation

WHERE PRIDE OF WORKMANSHIP STILL COMES FIRST!

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last 10 years ordinary insurance in force has more than doubled, group insurance has more than quadrupled, and credit insurance has increased over fortyfold. There is good reason to believe that these trends will persist in 1956.

JAMES J. NANCE

President, Studebaker-Packard Corporation
President, Automobile Manufacturers Association

Again, the past year, the American people have baffled the economic seers by demanding more than the expected output of motor vehicles. According to the latest estimate, 1955 production will reach the record high of 9,225,000, of which 7,975,000 will be passenger cars.

James J. Nance

As this exceeds considerably the previous record, (1950's total of 8,003,056), we may expect to hear some new variations on that old theme, "The Saturation Point."

That theme is as old as the automobile itself. In 1903, when we had less than 200,000 motor vehicles registered in the United States, one of the partners of the banking house of J. P. Morgan declared that "the saturation point" had been reached.

In 1921, when registration exceeded 10 million, Roger Babson, the famous economist, declared that we couldn't possibly operate more than 12 million cars unless we could find some fuel other than gasoline.

Another forecaster that year was more optimistic. The late Leonard Ayres, the Cleveland banker, warned that 20 million was the limit.

We now have more than 61 million motor vehicles. The 46½ billion gallons of gasoline they burned in 1955 would fill a canal 20 feet wide and 18 feet deep from Portland, Me., to Portland, Ore., one statistician recently estimated.

Even when the forecasters of automobile registrations put their heads together and base their prophecies on the best available data, they go far astray. For example, as late as 1938, when there were just under 30 million motor vehicles registered, the Public Roads Administration said it would be 1960 before we had 38 million.

How many can we use? Perhaps the only limit is the amount of good highway mileage we are able and willing to provide. But, that has not stopped highway transportation's growth in the past, and is not likely to do so in the foreseeable future.

After the advent of the automobile, the American people did not tolerate for long the age-old restriction of bad roads. As late as 1904, we had less than 150 miles of paved rural roads in this entire broad land, although there had been political pulling and hauling between Federal and state legislators about "good roads" for more than a century. After World War I, when total registrations climbed to the 10-million mark, popular demand had put an end to the century-old stalemate, and we began to lay out and improve the highway network into the more than two million surfaced miles that serve us today.

That people today will not put up with inadequate roads is evidenced, I think, by the fact that, in the past decade, when construction of new public roads fell sadly short of growing needs, almost 3,000 miles of toll roads have been built or planned.

So, when new variations are heard on the old theme of "The saturation point," it is well to recall that the automobile industry has always defied conventional appraisal. It has many times confounded the prophets, even when they were optimistic.

GEORGE A. NEWBURY

President, Manufacturers and Traders Trust Company, Buffalo, N. Y.

The expectations for a continued high level of business in 1956 and the many reasons for such opinion have been so thoroughly publicized as to require little comment here. With an eye to the past and some painful recollections of the '30s, I cannot help but wonder how far and how long we can ride so high without running into some stormy weather. With full employment and possibly undue confidence, we, as a nation are spending and mortgaging up to the hilt. If the pace becomes too rapid, a major readjustment seems ultimately inevitable. It is with this in mind the Government continues to apply credit restrictions hoping to contain the boom and chart a delicate course between inflation and deflation. A further increase in the re-discount rate is a prospect and may be in effect by the time this is published. The main question for 1956 is "Can we stand prosperity?" and the answer would seem to be not in the action of government alone but in the intelligence and self-discipline of business and the consuming public.

George A. Newbury

Our Niagara Frontier is busy, prosperous, and rapidly growing in the importance and diversity of its industry. The New York State Thruway has already brought many new businesses and major industrial and residential developments to the area. The St. Lawrence Seaway will follow. Perhaps not generally recognized is that Buffalo is fast becoming one of the country's great research centers. Supplied with cheap and abundant electric power, located at the gateway to Canada and at the center of America's greatest consuming markets, Buffalo's prospects for growth and prosperity are bright and well founded.

ARTHUR J. NEUMARK

Partner, H. Hentz & Co., New York City

Although optimism in generally high for 1956 there is a very marked degree of caution in market prognostications as contrasted with a year ago and well there should be. In terms of Gross National Product, consumer spending power, savings and employment the year will undoubtedly be a good one. Whether it is as good as last year will depend on a number of imponderables, but it seems reasonably safe to predict at least the second best peacetime year in our history.

Arthur J. Neumark

Political decisions and trends will have an important bearing on security prices. However, it is my opinion that the swings in the stock market will be smaller than last year and there will probably be a higher degree of selectivity. It must be remembered that stock prices generally have returned to a much more normal evaluation of earnings and dividends. The dynamics of price movements have been considerable and even if earnings are as good this year as last there is lacking the past incentives for anticipating any material improvement in security prices from recent high levels. A factor that could have a stimulating influence is the possibility of larger dividends inasmuch as corporations have been very conservative in disbursements. The average pay out has been around 50% which is sub-normal.

The outlook for individual industries is mixed. Headed for seemingly less favorable volume and profits are motor, railroad and building companies. The stock market will, in my opinion, be cushioned by a good buying demand for favored groups and individual issues during periods of reactions. A number of groups are approaching what would appear to be attractive buying areas, such as, steels, retail and chain stores, metals, oils, utilities and electrical equipment. Additional industries that should do well this year are the cement, aluminum, aircraft manufacturing, chemical and drug. Declines in stocks in these groups would afford buying opportunities.

By the same token I believe periods of market enthusiasm will encounter sizable realizing sales. It is because of the factors herein highlighted that I believe the overall market swings in 1956 will be less pronounced and that movements will be more selective than in many years.

DONALD W. NYROP

President, Northwest Airlines, Inc.

Commercial aviation is on the threshold of a new and challenging era.

As it enters 1956 it must, while meeting the multiple problems of the present, lay its plans to finance, acquire and operate jet aircraft. The changeover, which earlier promised to be more leisurely, now seems likely to come in a matter of months rather than years.

Donald W. Nyrop

So 1956 may well be a time when the fortunes of airlines are powerfully affected by decisions that are made. It may well write the profit and loss figures of the next decade.

It is a billion-dollar investment which commercial aviation must venture.

One reassuring fact is that the scheduled airlines of the United States are entering this period in sound shape. Traffic volumes are growing, revenues are increasing; and, but for the fact that costs also are mounting, the outlook could be completely satisfactory.

Northwest Orient Airlines—with which, of course, I am most familiar — set an all-time record during 1955 when its operating revenues exceeded $70,000,000. It looks ahead to substantial increases in 1956.

Since Jan. 1, 1955, Northwest Orient Airlines' international operations have been conducted without subsidy, despite the fact that its rate of payment for carrying the mail has been reduced by the Civil Aeronautics Board. Northwest became the first United States air carrier to operate without government subsidy support on trans-Pacific and States-Alaska routes. Its domestic operations have been without subsidy for several years.

During 1955, various developments marked the progress of the airline. It won renewal of its certificates to the Orient, Hawaii, Seattle-Anchorage and the inside route to Alaska. It was authorized to provide direct service between Chicago and New York, as well as between Chicago and Detroit, and a shuttle or "turnaround" service between Detroit and New York. It acquired a fleet of Turbo Constellations, which were put in service on the Orient run; and, in addition to getting delivery on more Douglas DC-6B's, it placed orders for more of this type and for Douglas DC-7C's. It stepped up flight frequencies both to the Orient and Hawaii.

Like other major airlines of the nation, Northwest undertook a continuing study of jet aircraft. It expects to place definite orders during the early part of 1956.

Since commercial aviation got its start three decades ago, its problems have been numerous and complex. None of them, it appears, have been any more pressing or difficult than those which will confront the industry in 1956. But this is just another way of saying that, as responsibilities increase, so too will opportunities.

ROBERT L. OARE

Chairman, Associates Investment Company and Associates Discount Corporation

All signs point to a further rise in the American economy during the first half of 1956, although the increase as measured by the basic barometer of Gross National Product and personal income should be at a lesser rate than the gains enjoyed during the past year.

Robert L. Oare

Accompanying the high level of prosperity in 1955 was a sharp increase in new passenger car production to an all-time record of approximately 8 million units of which about 7.2 million will appear as domestic registrations. Whereas in 1955 American motorists spent an estimated 5.4% of consumer disposable income for new models, there is a strong possibility that the 1956 buying pattern will revert to the 1949-1955 average annual expenditure of 4.5%. In domestic sales, as indicated by new car registrations, this amount of purchasing power would absorb slightly more than six million passenger cars. Even so, 1956 should rank as one of the record years for automobile production and sales. The gradual downturn expected in the current blistering tempo of the automobile industry to a more moderate pace should have little immediate effect on the over-all economic picture. High employment and consumer income should be maintained in the year ahead.

The large volume of automobile sales this past year brought with it a greatly expanded use of installment credit. To some extent the credit terms extended on the vast amount of installment credit required to finance the outpouring of new cars has been characterized by shorter down payments and longer maturities. However, there has been some evidence of tighter terms in recent months, and there can be no question as to the intentions of well-managed sales finance companies to maintain their credit extension policies on a sound basis.

The upward trend in automobile time sales has not placed automobile credit outstandings at a dangerous level. After all, automobile paper is still relatively short-term and the American public is completing contracts as scheduled with minimal loss to liquidation.

The Associates organization is confident of its ability to preserve sound credit principles in 1956 and to maintain its position among the three largest independent automobile finance companies in the nation.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

There is a song that has an intriguing title (that's all I know about it). The title is *Love and Marriage*, and every time I hear the title of this song, I always think of two more words that go together, and it seems in the same fashion—*Debts and Taxes.*

H. P. Parshall

Let's look at our debts first; and I am not going to bore you with very many statistics — not even looking them up; but we do have debts and many of them. There is our National Debt of $275 billion — there is our consumers' credit debt approximating $27 billion—our colossal mortgage debt — then there is our municipal debt of cities and states—our farm debt; and our debts for the purpose of carrying on legitimate business. All debts having good purposes are desirable and extremely helpful to our economy. It is only when they become too large and unmanageable that they cause trouble. Are we now within the trouble range? Quite frankly, I do not know, but I suspect that we are. We have young married couples who have my sympathy. They are so burdened with debt that both the husband and wife must work very hard in order to keep their heads above water. John Knight, a capable and prominent newspaper editor, owner, among other papers, of the "Detroit Free Press" and "The Chicago Daily News," wrote an editorial this year in which the title contained a wonderful phrase, *Danger Signals in this Debt Happy Land.* I would like to repeat that one phrase and wish that you, the reader, would be impressed by it—*This Debt Happy Land.*

Now we come to the second of our two words that is synonymous with Love and Marriage, namely Taxes. Our taxes in this country are very high and their distribution is inequitable. Naturally, taxes have to be high when our national and municipal debts are high. The idea of confiscating as high as 90% of an individual's income is, in my opinion, absurd, and I believe dishonest. In other words, the many, because of their number, put their hands in the pockets of the few. It causes all sorts of dislocations—high salaries and high prices. There should be a limit of 25% or at most 30% tax on anyone's

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income. The capital gains tax should be abolished entirely. Men seek and should have diversifications of their investments. At different ages in their business careers, it is a good policy to change their investments at times, and this is precluded to a great extent by the capital gains tax.

The Treasury Department and the Federal Reserve Board use our national debt and rediscount rate as measures to help control and keep our economy from going too high or too low, and I compliment them. Their actions have been, on the whole, effective and in the right direction. The writer, as you have guessed, favors more equitable distribution of our income tax burden—and I repeat, the elimination of the capital gains tax—and sounds a warning against uncontrolled or unlimited debt.

Concerning our present economic activity and what we may expect for next year, the following observations are in order:

The Government's expenditure for defense next year will be about the same as in 1955—no less—maybe a trifle higher, somewhere around $35 billion. It is believed that industrial expansion in plants and equipment will continue during 1956 and more will be expended in this direction than was in 1955. On the other hand, automobile production will probably be down somewhat from the peak of 1955, and so it is believed will be residential housing. All other segments of our economy look forward to continued prosperity during 1956, except, of course, farming.

For the whole United States, I look for our economic activity to be somewhere between 93% and 103% of 1955. Here in Detroit, due to the expected drop in automobile production, we may be somewhat under the average.

I attended a meeting not long ago, composed of businessmen and highly rated economists. It was their conclusion that during the next 5 to 15 years, the section of Michigan in which Detroit is located and its surrounding four or five counties would probably constitute the fastest growing section of the United States, and they gave two reasons. The latter of the two reasons which I am going to quote held quite a lot of meaning for the writer. First, Detroit probably has more knowledge of manufacturing technique than any other section of our country. Second, our area has plenty of water available. What we must do here is constitute some kind of a water authority, so that as fast as this expected expansion takes place, we will be able to supply the water. Other sections of the country might also be well advised if they are not already doing so, to look after their supply of water.

HON. WRIGHT PATMAN

U. S. Congressman from Texas

Year-end statements issued by Government officials and business executives predict 1956 will be another year of record prosperity. I hope these judgments turn out to be fully warranted.

The year just ended has been a very prosperous year. Unfortunately, not all groups shared equally in the good times.

Wright Patman

As I look at the economic picture for 1956, I see a number of areas of weakness and some potential problem spots, which we cannot ignore.

The number one problem that confronts the country today is how to stop the decline in farm prices and incomes. Industrial prices are at peak, while farm product prices are at an 8-year low. It doesn't make sense. Farm buying in many areas is being cut to bare essentials.

Small businessmen today are in a relatively weaker position compared to their giant rivals than they were in 1952. The expansion of our economy reflects primarily the expansion of the giant firms.

Since the end of 1952, the number of operating firms in the United States has remained stable. In contrast, the number of business firms grew at an average annual rate of 50,000 in the four-year period, 1949-1952, for a net gain of 200,000. Small business growth is being retarded by the heavy weight of taxation and a manufactured scarcity of credit.

We cannot have an open economic system and retain competitive enterprise with a complete cessation in the growth of the number of operating firms.

Although national employment is high and over-all unemployment totals are low, there are still a great many distressed localities in the country. At the present time, we have 19 major labor market areas and 73 smaller ones with serious unemployment problems.

The spread of automation, like every other technological advance in history, will involve the displacement of individual workers. As long as new industries open up and new jobs are created, the displaced will be absorbed and will not add to a net growth in unemployment. However, a reduced level of production, which is not unlikely some time this year, may have exaggerated unemployment effects because of the labor saving effect of automation.

The past three years have produced the curious paradox of using tax and credit policies to restrain productive activity and consumption in the name of fighting inflation, while using them to stimulate such non-productive purposes as passing assets back and forth at higher and higher prices. Tax savings and credit instead of being channeled into areas where they could produce real wealth and raise living standards of lower-income families have instead fed a speculative movement of unprecedented magnitude.

Measured in terms of constant dollars, our Gross National Product on a per capita basis is no greater today than in mid-1953. Tax and credit policies designed to stimulate investment at all costs have instead erected a house of cards, a flimsy superstructure of inflated prices. They have also induced an unprecedented increase in both industrial and bank mergers.

The dangers resulting from these developments are difficult to overestimate.

The Congress in this election year will, to some extent, be influenced by politics. However, I see no reason why the legislative outlook for 1956 will not continue to be based mainly on economic considerations as it has in other years. For example, there is wide sentiment in favor of trying to apply some part of an expected budget surplus to reducing our huge national debt, if economic conditions permit. At the same time, however, there will be proposals to correct some imbalance and inequity in the tax system. Some of the 1954 tax revisions have not produced the results members were led to expect. This is particularly true of the dividend tax credit. Net new money raised from stock issues actually declined by half a billion dollars in the first half of 1955, despite the most favorable stock market conditions.

Without incurring any over-all revenue loss, it should be possible to give small business and lower-income taxpayers tax relief. In connection with small business, it is particularly urgent to equalize their opportunity relative to the giant corporations by moving toward a modest graduation in corporate tax rates.

The drop in farm income needs to be arrested. Flexible price supports are the chief cause of market instability. The family-size farm that we want to encourage basically needs access to low lost, long-term credit and assurance of stable market conditions. Congress recognizes that the chronically distressed areas are a national problem. Local efforts will be supplemented by some form of Federal assistance to help unemployed workers and the businessmen in the depressed localities.

With school enrollments breaking all records, Federal aid to school construction will be given a high priority by the Congress. I was impressed with the need to focus considerably more attention than we have on the shortage of trained technicians and engineers, when I undertook the hearings on automation last fall. The Russians are turning out twice the number we are. We need to produce more trained personnel, if we want to realize the full benefits of automation and if we do not wish to lose our superiority in this field.

A pay-as-you-go highway program with proper weight given to meeting the farm-to-market road needs will get favorable consideration by the Congress.

The problems of monopoly and industrial concentration and how to solve them will receive increasing attention by Members of Congress, who want to preserve the competitive system of enterprise.

In summary, the economic outlook for 1956 is marred by certain areas of weakness and vulnerability. If Congress takes the proper legislative action, we can overcome those weaknesses and make 1956 a good year for everyone.

W. A. PATTERSON

President, United Air Lines, Inc.

All evidence at the turn of the year would indicate that the scheduled airlines in 1956 will surpass the impressive traffic records which they achieved in 1955.

Our experts are looking for a traffic increase of from 10 to 15% for the industry. They base their forecast on a belief that there will be a higher average level of economic activity; that inter-city common carrier travel will keep up with that level and that the volume of air travel will increase at a more rapid rate than that of inter-city travel as a whole.

W. A. Patterson

For United Air Lines alone, we expect an increase of from 13 to 18% in revenue passenger miles, 20 to 25% in cargo ton miles and 3 to 5% in mail ton miles.

Whatever gains are made by the industry in 1956 will be achieved in an atmosphere of far greater competition than ever before. Recent decisions of the Civil Aeronautics Board have multiplied the number of carriers over our major air routes. In addition, the Board has given broad new authority to the so-called non-scheduled carriers to go after the same markets. The results, if all these grants are finalized, should be interesting, indeed.

While strengthening their present positions, the airlines are actively preparing for the age of jet. Firm orders for fleets of jetliners and extensive programs to finance their purchase are evidence that the carriers no longer are thinking of the jet era in terms of a distant tomorrow. Years of intensive study and evaluation have gone into today's jet purchases. More years of careful preparation for needed facilities and personnel must follow. Every step taken today is assurance to the airline customer that bigger and better things in air transportation lie just ahead. As a matter of fact, we confidentially believe that the jetliner of 1959 will provide the fastest, most comfortable, most dependable air service ever conceived. Furthermore, our studies indicate that the jet plane will be more economical to operate than our latest type piston-powered aircraft. All in all, the future picture is an intriguing one which holds much promise for those who are planning and preparing today.

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T. S. PETERSEN

President, Standard Oil Company of California

The domestic petroleum industry in 1955 experienced a substantial 7% growth in demand for its products as a result of the strong recovery in business from the mild decline of 1954. Colder winter seasons than in 1954 also contributed to the increase by stimulating sales of distillate fuel oils for heating.

T. S. Petersen

Abroad, the industry enjoyed an even greater increase in demand—11%—reflecting the continued expansion of foreign economies and the inability of Western Europe's coal industry to meet that region's growing fuel requirements.

Prospects for 1956 point to further sustained growth of the U. S. and Free Foreign World economies, though at somewhat lower percentage increases than in 1955.

Domestic demand for petroleum in this country is forecast at 4% higher, with a 4½% increase expected in gasoline demand. In crude oil production, this should be reflected in a 225,000 barrel-a day increase over 1955, with an aggregate of 7,000,000 b/d setting an all-time record.

Elsewhere in the Free World, total petroleum demand is expected to rise about 9½%, with the emphasis on the heavier fuels, which are now figuring more and more importantly in the industrial development of Western Europe.

Under the circumstances, the industry feels justified in proceeding with large-scale capital expenditures, in our case on about the same scale as in 1955. A substantial proportion of our outlay for these purposes will be allocated to further exploration and development of offshore oil, which is already proving a valuable asset to the industry.

F. RAYMOND PETERSON

Chairman, First National Bank and Trust Company of Paterson, N. J.

The year 1955 will go down in history as one of the most prosperous that the United States has enjoyed in peacetime. Toward the end of the year the country was in the midst of a great boom, evidenced by the fact that the aggregate number of people gainfully employed totalled nearly 65 mililon, at wages higher than ever before. Production and distribution were at a high level. The index of industrial activity which in January, 1955, stood at 132 was at 144 in November, the latest figure available. The dollar value of department store sales up to the middle of December was 7% higher than a year ago. The demand for credit was strong; the total volume of loans of all reporting member banks in 94 cities at the end of the year was approximately $7,500 million larger than a year ago. The banks, however, in order to meet the requirements of their customers, were forced during that period to sell $7.2 billion of Government securities. Reflecting the great demand for money and the policy of active credit restraint adopted by Federal Reserve authorities, money rates increased considerably during the year. The discount rate of the Federal Reserve Banks was raised four times during the year and stood at the end of 1955 at 2½%, the highest in over 20 years. Rates of interest charged bank customers rose, too, with the prime rate at 3½%, also the highest in more than 20 years.

F. Raymond Peterson

The year was marked by a great deal of confidence which induced many peole to mortgage their future in order to meet their present demands. For example, the total volume of consumer credit during the 12 months ended October increased by about $5,665 million, and the volume of mortgages on one-to-four family home units in the third quarter was at an annual rate of $14 billion, as compared with $11.2 billion a year ago.

The equity market reflected the prosperity of the country as well as the great confidence which permeated every segement of the population.

The Outlook for 1956

It is, of course, impossible to state what the future may bring. Judging, however, from the information which comes across my desk and talking with a number of bankers and businessmen all over the country, the business outlook for 1956 appears somewhat as follows:

(1) Business activity will continue at a high level for another few months, followed by a moderate decline which should not go very far nor last very long. The degree of the decline, naturally, is bound to be influenced by internal as well as external political developments. At the beginning of the year the business momentum is very great and is bound to keep business activity at a high level for several months. The steel companies are booked to capacity for the entire first quarter. The output of automobiles is large. Construction of industrial and commercial building is at a high level all over the country, and wages are still rising. All these factors combined will keep the economy in high gear.

(2) The decline that may occur sometime in the middle of the year will result from, first, a decrease in home starts. Already this tendency is apparent, primarily because of the tight mortgage market and the difficulty of obtaining new mortgage money. Secondly, it is highly uncertain whether the automible companies will be able to sell as many cars in 1956 as they did in 1955. Thirdly, money is tight; and while credit controls work slowly, ultimately they do achieve their objectives. Finally, the fact should not be overlooked that farm income has declined and the farmer has not shared in the prosperity of the country as a whole.

(3) The decline, when it sets in, should be of short duration. While it is true that the pace on consumer borrowing, as well as of mortgage credit, has been too fast, basically the economy of the country is sound. The population is growing at a rapid rate; the standard of living of the people is rising, and wages are constantly increasing. Moreover, on March 1, 1956 the minimum hourly wage rate will be raised from 75 cents to $1 00, and this will lead to a general increase in wages, hence in disposable income of many people in certain parts of the country. The moment business activity shows any signs of decline, the credit policies of the Federal Reserve authorities undoubtedly will be reversed. Credit then will be available, and money rates should soften. This will stimulate the flotation of tax-exempt securities, hence induce public works.

All these factors combined—and many more could be cited — give assurance that any decline in business activity, when it sets in during the year, will not assume the character of a serious recession.

Conclusion

The remarkable thing about the American economy in the postwar period is that we have averted a major depression. Ten years have passed since the end of the war, and with the exception of 1948-49 and 1953-54, when minor readjustments occurred, the economy of the country has been prosperous and has grown rapidly. There is every reason to believe that a major decline in business activity will be avoided. However, ours is a free economy, and as such is bound to have its ups and downs, but the long-range outlook is favorable; the productive capacity of the country is rising, and competition is increasing. As the population grows, and the standard of living rises, the demand for goods and services is bound to grow. This augurs well for the future.

WARREN LEE PIERSON

Chairman, Trans World Airlines

For the scheduled airlines of the United States, the new year begins with the auspicious promise offered by the old-record air passenger volume and, consequently, increased gross revenue.

Air travel reached new highs during 1955, not only in the United States but to Europe and beyond. This ever-increasing volume indicates even greater acceptance of this commodity by the mass market represented by low-fare tourist travel and special seasonal and excursion inducements. In TWA alone our sky tourist traffic represented approximately 58% of total passenger miles flown on domestic routes and 80% of the mileage on international routes.

Warren Lee Pierson

All forecasts point to the fact that we can expect similarly encouraging developments in 1956. But, although our traffic and earnings graphs climb higher, there are still problems facing us as an industry and as individual carriers. We are facing these problems and seeking the answers through common effort and pooled research.

Perhaps our most vexing problem is that of balancing gross revenues against constantly-mounting uncontrollable costs. We must find the answer if we are to continue to reduce the margin between gross and net revenues.

It is a problem we have in TWA, too, but we feel we are beginning to see daylight through this overcast. Although our net income for 1955 will show a decline from the 1954 peak level, this is because of substantial non-recurring expenses such as putting into service our 20 new Super-G Constellations and the conversion of the rest of our Constellation fleet for standardized interiors. I believe that with this major expense behind us our operations should now begin to show a financial gain.

Other non-recurring exenses we have had to contend with were the final mail pay order and the cost of getting construction of our big new Kansas City maintenance and overhaul base under way.

All in all, with more than four million passengers flying three billion 482 million passenger miles on TWA's 33,000 miles of domestic and international routes, there is plenty of reason to be optimistic about next year. To serve the more than four and a half million passengers TWA expects to transport in 1956, we have many plans in progress to provide them with the utmost in comfort, safety, convenience and an economically efficient operation which will keep air travel one of the lowest-priced dollar value commodities on today's market.

BAYARD F. POPE

Chairman of the Executive Committee, Marine Midland Corporation, New York City

There seems to be such a general unanimity of opinion on the 1956 outlook for business as it applies particularly in the commercial banking field that the individual's expression on this subject has grown to sound almost trite. Perhaps this very fact merits some consideration.

Bayard F. Pope

Nineteen fifty-five was a year of unprecedented business activity as measured by practically all economic indices. I would mention only two of the fields which provided much of the great simulus we experienced, namely, automobiles and homes, based considerably on the availability of bank credit, resulted in peak production. In the general field of industry, the growth in production and activity required expanding credit from the commercial banks for inventories and seasonal demands and for the funds required for a high rate of plant expansion. The accelerated increase in the demands for consumer credit, playing an ever-increasing part in the consumers purchasing power, brought further credit demands on the banks.

This growing demand for money and credit in relation to its supply resulted during the past year in an increase in rates to prime borrowers of from 3 to 3½%, in prime commercial paper from 1¼ to 3%, and in Treasury 90-day bills from about 1¼% to over 2½%.

We have seen the Board of Governors of the Federal Reserve System during this past year exercise a restraining and stabilizing influence in the actions they have taken in the field of influencing the supply of money and credit.

Looking into 1956, there is certainly nothing to indicate in the early months that there will be any great change in the relationship of the consumer purchasing power and the volume of production to meet it. Generalizations are sometimes dangerous, and I would expect that in 1956 perhaps more than in 1955, there will be companies and businesses not following the pattern of ever-increasing activity.

The increasing capital expenditure estimates of industry for 1956 indicate that management in this field is looking to longer-term demands for their products rather than reflecting their expectancy for the next year or so. If one tries to look beyond the first six months of this year, one could expect to have reached a point, for instance, where automobile output would exceed consumer demand and perhaps one could expect to see steel demand decline, remembering, however, that as of now the demand for steel is considerably in excess of the supply.

Wages can be expected to continue at their peak. Inevitably before the year is over, prices should be somewhat higher. In my opinion, these and other factors indicate that business activity will have stabilized or decreased somewhat by the end of 1956.

If no unforeseen events of importance occur and the economy follows the present indicated pattern, it would appear that in the field of commercial banking, at least for the first half of 1956, there would continue to be a strong demand for bank credit—firm rates—and relatively stable deposits.

R. W. PRESCOTT

President, The Flying Tiger Line, Inc.

The air freight industry should experience one of its best years of growth in 1956.

Several dynamic factors can contribute to such a record. One of them is the addition of new planes to the all-cargo fleet now flying in the United States. A second is the prospect of lower rates for large volume shipments. Several of the major carriers will get delivery this year of new all-cargo freighters of a type which already has proved its productivity in the development of freight traffic. I refer to the Lockheed 1049H and the Douglas DC-6A models. These airplanes, flying one-third faster than the commercial air freighters in general use prior to their introduction, and carrying one-half to twice as much payload, showed in 1955 what could be done with advanced equipment.

R. W. Prescott

In our own company, we recorded last year the most important increase of volume in our history. Air freight traffic totaled approximately 59 million ton miles on our system, a gain of approximately 58% over 1954.

This gain was due primarily to the fact that in 1955 we were able, for the first time, to operate a full DC-6A fleet on our transcontinental schedules. Since this airplane produces more than twice as many ton miles per flying hour than the DC-4, heretofore the largest aircraft in commercial freight service, we were able to show an increase of more than 20 million ton miles of freight traffic, compared to 1954.

The Lockheed 1049H aircraft, with which we will replace our DC-6A fleet, will have a productivity factor nearly 50% greater than the DC-6A, enabling us to move a still larger volume of traffic when these new ships come into service.

Along with new, more productive aircraft, we are

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hopeful of creating a more attractive rate structure for large volume shipments. Such a proposal is now before the Civil Aeronautics Board. If it is accepted, rates on large volume shipments will drop as much as 30%.

Such a reduction will be a further incentive for the use of air freight by industry, which, in 1955, moved more products by air than in any previous year.

From the standpoint of the carrier, these prospects offer sound opportunities for a good basis of future earnings.

While operating costs have increased in many directions, the new-type freight aircraft provide an off-set to this trend.

The DC-6A operating costs are from six to eight cents a ton mile less than the DC-4. We estimate the 1049H will be 10% cheaper to fly than the DC-6A.

The twin factors of lower flying costs made possible by larger, faster equipment and the payload increase that can be achieved with such aircraft point the way to steady industry growth and better earnings.

DONALD C. POWER

President, General Telephone Service Corporation

Donald C. Power

General Telephone System and the entire independent telephone industry expect that 1956 will be another year of progress and growth. The demand for telephones, we believe, will continue very strong, and with our increased emphasis on sales, we expect that our total revenues will exceed those of any previous year.

The amount of money which General Telephone System will invest in its telephone plant for expansion and development will exceed $129 million, which will be by far the largest in our corporate history. Greater use of all telephone facilities will make it necessary for us to continue to add increasing personnel to our organization.

HENRY H. RAND

President, International Shoe Company

The outlook for shoes in 1956 shows every indication of being a record year—not only for International Shoe Company, but for the entire shoe industry as well.

In reviewing the past 12 months, 1955 showed an exceptional increase in our industry by turning in an annual production estimated at 575 million pairs compared with 520 million pairs for the previous year. The general consensus is that 1956 will see an all-time record of probably 600 million pairs produced in this country.

Henry H. Rand

Our own orders for Spring are running well ahead of last year with gains in excess of 15%. This is tangible proof of the optimistic view of the future held by our customers as well as the strong endorsement of our lines and prices for Spring.

Most important to companies such as International, which manufactures a commodity for use by the consumer, is the vital part consumer spending is playing in the current upturn.

Consumer confidence is significant. It means primarily that the rank and file of American consumers feel that they are well off personally and are confident about the future. Widespread confidence is the greatest guarantee of good times. As I see it, consumer confidence is the most significant single factor in our economy.

American industry carries a very definite responsibility to itself and to the people it serves. Any business that remains static will soon be out of business. It is true that while the American consumer has more money to spend, he is also exercising more caution in the way he spends it. Current studies indicate he is buying quality—and it is equally true that he is looking for the best quality he can get for his money.

Also, for best sales results the consumer must be able to buy goods with the least amount of effort on his part. In this respect, the large increase in the number of middle income families, and the movement of these families to the suburbs, has produced a new way of life . . . which in turn has changed the retail picture. Development of the huge shopping centers in the suburbs has added greatly to the consumer's convenience—which makes him a better customer. We confidently expect some of our 1956 gain to come from suburban retail stores, that did not exist a few short years ago.

We at International Shoe Company, believe the American consumer will buy more shoes in 1956 than he has ever bought before. We produced about 52½ million pairs of shoes in the year just closed. And, had it not been for the strike against International, the first in our history, this company's annual production would have been closer to 55 million pairs for 1955.

Nineteen fifty-five was the biggest year in our history with shipments of about $262,000,000. We believe that 1956 will surpass this figure and also see us producing more pairs than in any previous year. We are making all our plans accordingly.

JEROME A. RATERMAN

President, Monarch Machine Tool Company

Interest in new machine tools and what they can contribute to the increased output of goods or to the reduction in cost of the goods produced has never been higher than right now. This is partly the result of the Machine Tool Show of last September in Chicago where more new and exciting developments in metalworking equipment were revealed than in many years.

J. A. Raterman

It is also the result of the steadily mounting demands of some 162,000,000 fellow Americans for new homes, new automobiles, new washing machines, new TV sets and more of the other new comforts and conveniences of present-day living as we have come to know them here in the U. S. A.

It has been estimated, for example, that the average home now uses 2,550 kilowatt-hours of electrical energy per year or the equivalent in services of 36 servants. And this, according to the statisticians, is only the beginning. Over the next 10 years, say these experts, our increase in population will not only keep a lot of firms busy supplying the everyday requirements of their fellow citizens, but barring another war, will put many other concerns to work creating new products for an ever higher standard of living.

In other words, just to take care of the peacetime demands of our people is expected to keep many of our industries fully occupied for a long time to come.

This presents an especially glowing prospect for the folks who are in the business of selling goods and services directly to the public. In fact, their share of the overall business activity of the present year can be forecast with a fair degree of accuracy . . . so many jobs, so much income, so many mouths to feed, so many backs to clothe, etc., etc.

When, however, it comes to ourselves and to those other builders of heavy machinery—the kind of products not displayed on store shelves or sold over store counters—the future cannot be predicted with anything like the same accuracy. We know, of course, that to continue to pay good wages, and to raise them periodically, all businesses must find other ways to keep the cost of their products low enough to attract buyers.

The great contribution which new machine tools can make to this reduction of manufacturing costs was demonstrated so forcibly—and in so many ways—at the recent Machine Tool Show that the obvious answer, as we in the machine tool industry see it, is for all industry to replace old machine tools with new—and to do so without further delay.

A great many manufacturers are trying to do just that. And many more have indicated to us that they would like to follow suit. But new machines cost money. And the machines they would replace have not in many cases been sufficiently written off to permit of such action immediately. Under the circumstances just how much of the present desire for modernization can be realized now and how many purchases of new equipment will have to be spread over a period of years remains to be seen.

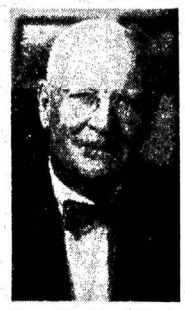
That the outlook for the metalworking industry as a whole, and for Monarch in particular, is definitely encouraging goes without saying. That the hoped-for volume of business will be largely for machines to be used for the production of peacetime products is especially gratifying.

Thousands upon thousands of manhours worked at Monarch in 1955 went, of course, into the preparation of the new machines which the company displayed at the Machine Tool Show. Now that the orders for these new machines are beginning to come in, we are looking forward to getting back what was for us a very sizable expenditure in the increasing competition for new business.

HON. DANIEL A. REED

U. S. Congressman from New York

The state of the Union, as reflected in President Eisenhower's message to the Congress on Jan. 5, has never been brighter or more full of hope for the future. It is true that the uncertainties and tensions in international relations call for sober reflection.



Hon. Daniel A. Reed

On the other hand, our domestic economy is displaying a vitality as well as a basic stability unparalleled in our country's history. Personal income, consumption, production, and new investment have moved forward together. I predict a continuation of this progress in the months ahead. Some alarmists point to possible soft spots in the economy, such as anticipated decline in automobile sales. I believe that, if such declines do occur, they will be largely made up by increased levels of economic activity in other areas.

One of the indefinable, yet irreplaceable, ingredients in our present prosperity is confidence. The source of this confidence is not always easy to discover or explain. In large part, I believe, it results from the adoption of policies such as those reflected in the new, completely revised 1954 tax law. By removing some of the discriminations and harassments which had characterized the previous tax law,

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Statement of Condition December 31, 1955

RESOURCES

CASH AND DUE FROM BANKS	$ 63,086,671.74
U. S. GOVERNMENT OBLIGATIONS	180,485,105.88
STATE AND MUNICIPAL BONDS	13,157,149.32
OTHER BONDS AND SECURITIES	3,095,125.94
STOCK OF FEDERAL RESERVE BANK	360,000.00
LOANS AND DISCOUNTS	83,450,454.58
BANKING HOUSES	1,495,086.71
FURNITURE AND FIXTURES	865,562.31
OTHER ASSETS	1,256,691.61
	$347,251,848.09

LIABILITIES

DEPOSITS	$324,281,581.04
OTHER LIABILITIES	5,676,112.02
CAPITAL (COMMON STOCK)	6,000,000.00
SURPLUS	6,000,000.00
UNDIVIDED PROFITS	5,294,155.03
	$347,251,848.09

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we have done much to encourage the growth of private investment in new business, new products, new processes, and new plant and equipment. All of these spell more and better jobs for our people and a higher standard of living for all. We must now beware of ill-conceived, politically motivated attacks in this area which can so easily and so quickly undermine and even destroy this essential element of confidence.

The prospects for a balanced budget both in fiscal 1956 and fiscal 1957 are heartening and represent a magnificent accomplishment. This being an election year, the possibility of tax cuts is uppermost in the minds of many. However, President Eisenhower struck a responsive chord with me as well as, I feel certain, with responsible citizens in every walk of life when he declared that this would be no time for a deficit-financed tax cut and that a debt reduction, even though modest, should receive first priority. Any other course would be untenable in the face of present prosperity. Whether or not a tax cut does in fact prove feasible later this year will depend to a great extent upon the size of any budgetary surplus available in fiscal 1957. I do not bar the possibility that it may be possible to make both a payment on the debt and at the same time relieve the American taxpayer of at least a portion of his present heavy burden. Of course, in developing our tax policy, we must not fail to appraise carefully the possible inflationary impact of a tax reduction. We have stabilized the cost of living and created a sound dollar. We must not jeopardize these tremendous accomplishments. Inflation, by its erosion of earnings, savings, pensions, is the most deadly form of taxation of all. For this reason, a combined tax reduction and debt reduction would appear attractive if the budgetary situation would permit. The deflationary impact of debt reduction could offset the inflationary impact of tax reduction. Here again, however, we must adopt a "wait and see" attitude and withhold our decision until the government's fiscal picture, as well as the general economic outlook, is clearer later in the year.

KINSEY M. ROBINSON

President, The Washington Water Power Company

The sale of electric energy suggests a most revealing index regarding the growth and expansion of our economy. The new high records for generation and sale of electric power over the nation in 1955 totaling 479 billion kilowatt-hours, or an increase of 68 billion kilowatt-hours over the previous year, dovetail nicely with the bulging output from our mines, factories, mills, and the tremendous purchasing power of the American people. Now it is anticipated that the year 1956 will show similar improvement. War-time curtailments and shortages which induced certain pessimism in government circles as to whether the electric industry could meet growing consumer demands, have been dispelled with adequate plant facilities throughout most of the nation. The Pacific Northwest, however, will have no easy time of it meeting what may be termed our ravenous appetite for electrical living. At the beginning of 1955, consumption of electric energy in the Pacific Northwest stood at 7,750,000 kilowatts. Load estimates made by individual systems show continuing growth, and indicate that the total requirement six years hence will be 11,750,000 kilowatts. By 1965 it is estimated that the area will be short some 2,000,000 kilowatts unless drastic steps are taken to produce new power. This means that 500,000 kilowatts of firm capacity and transmission facilities must be added each year, with capital outlay between $250,000,000 and $300,000,000 per year.

Kinsey Robinson

It may be asked what use is made of such sizable amounts of power in the Pacific Northwest. The answer lies in sound national leadership, renewed confidence that the Pacific Northwest is young, dynamic, and is going places. Washington and Oregon alone can furnish enough lumber to build one million homes annually—the entire nation's needs. New industries are seeking establishment daily. Washington Water Power Company service area, where the residential consumer shows exceptional preference for electrical living, boasts 86% saturation of electric ranges and electric water heaters. It is difficult for some of our eastern friends to realize that where the national average use of electricity in the residential field stands at 2,775 kilowatt-hours, WWPCo. customers now use an average of 7,350 kilowatt-hours annually. Unrealistic though it may sound, the company expects another 500 kilowatt-hours to be added to the present high level in 1956.

To meet this growing demand, to avert what could be power curtailments in 1960-61, various agencies in the Pacific Northwest are either building, or giving consideration to 45 new power developments. Some of these projects, such as the John Day 1,105,000 kilowatt plant on the Columbia River which will cost $310,000,000, are regarded as favorable to partnership construction. Other developments will fall to individual companies. In this latter class is the WWPCo. 400,000 kilowatt Noxon Rapids power development now under construction on the Clark Fork River. The cost is estimated at $85,000,000, including transmission, and the plant should start to produce power in 1959. Upon its completion, the WWPCo. will for the first time in many years be independent of power supplied by the Federal Government.

Another source of power development is the newly organized Pacific Northwest Power Company, composed of the Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, and the Washington Water Power Company. Together they now have installed generating capacity of 1,400,000 kilowatts with 900,000 kilowatts under construction or immediately contemplated. Pacific Northwest Power Company has preliminary permits on three new developments. Already the company has spent some $1,750,000 on diamond drilling and exploratory work on two power sites on the Snake River below Hells Canyon. These two developments, called Mountain Sheep and Pleasant Valley, will cost, with transmission facilities when completed, $210,000,000 and will produce 1,000,000 kilowatts of new electric energy.

There is one serious obstacle to northwest progress. It is the small, but vocal group called "blockaders" who insist that the Federal government build everything in power development, and that private capital be eliminated from the Pacific Northwest. Unless this group accepts the "partnership idea" urged by the Administration, wherein all agencies contribute something for the common good, it appears that construction delays are inevitable.

MARY G. ROEBLING

President and Chairman, Trenton Trust Co., Trenton, N. J.

Banking in the nation will be normal in 1956. I can see no signs of weakness in the commercial banking system that would change this trend.

Bankers will police their credits within the bounds of prudence.

Mary G. Roebling

Public relations activities in 1956 will continue the trend of previous years and will assume a much more important place in the programs of many banking institutions. Such programs will stress the idea that bankers are only people and that banks are friendly places in which to do business. Banking will be humanized in an attempt to acquaint the public with the important place banks hold in their communities.

The financial curtain rising upon 1956 poses a query for those wise men of business whose careers have fitted them to forecast business conditions in advance.

The goose-bone prophets of former days could carry a column in the farmers almanac and tell the reader whether we would have snow for Christmas, or when the rivers were to be clogged with ice floes. Now, similarly, these interpreters of the financial thermometer can, with the aid of a divining rod of statistics, and by consulting the charts showing the economic factors of production, consumption, earning power, spendable income, taxes, new housing units to be started and new industrial construction planned, finally tell us—business will be good in 1956. I would not suggest for a moment that they are wrong, but a word of caution might be interjected in the "ifs" that always are part of the vocabulary of the pessimist. "If" the reports of those who work for peace are successful; "if" the prices of commodities are restrained from rising, affecting adversely the purchasing power of our people; "if" the work stoppages are not too intensive, either premeditated or the result of over-production (with inventories gorged to a point where purchases must be stopped until sales volume catches up with full warehouses); "if" advocates of credit expansion fail to see the caution light on the highway of runaway purchasing on time; where moderation might save the entire consumer credit bulwark of sound business against a tidal wave of unsafe and unsound promiscuous buying. These are only a part of the "ifs."

As we see it today, business is in safe hands. Banking is in the hands of capable men and women who are alert to the **safeguards** necessary to a seasonal money policy.

The Stock Exchange officials, while making a reasonable attempt to ward off speculation, cannot police a public bent on adventuring in buying and selling through brokers what the "big board" and the smaller exchanges list. Expressions of alarm are needed from time to time and appropriate measures are available to "brake" runaway speculation if and when needed.

Building of all kinds paces the forecasts for a prosperous year. One cannot always expect records to be broken, particularly when as at present the status is of itself record breaking.

Our people will live well in the new year; our children will study under fine school systems—even though serious problems will arise until more adequate buildings and personnel are available.

Savings credits will increase—the confidence of savers "against a rainy day" will grow—as deposits increase and the greater interest items are extended in their thrift passbooks.

The nation is strong; its people are full of purpose to keep it that way. No hurricane of evil reports, no tidal waves of pessimism, no avalanche of rumors and old witches' tales will change the prosperity that is ours. The men and women of the nation will go about their orderly living, and the enjoyment of comfortable existence will pervade the land.

More and more our people are becoming capitalists, owners of lands and houses, money in the bank, owners of stock in industry and finance, of equity in life insurance policies, of Government bonds, and pensions accruing to them both earned and contributed. Surely we are a favored people, contemplating a future under a capitalistic economy.

D. J. RUSSELL

President, Southern Pacific Company

This railroad is confident that the spectacular growth of the eight-state "Golden Empire" we serve will continue—from Portland, Ore. to New Orleans. It constitutes the fastest growing territory in the nation and has the greatest potential. Our long-range estimates indicate the growth will continue.

Donald J. Russell

Planning ahead for this, we ended 1955 with a record annual outlay of $117 million for capital improvements. This brought our investments since World War II to almost $775 million. We enter the new year with $150 million worth of new equipment to be acquired, including $35 million for diesel units. This is more than double a year ago.

These expenditures are more than just a part of our obligation to take care of the growth which has come to our area. They're part of our continuing plan to match industry and agriculture stride for stride. Certainly they show our opinion of the general outlook for western business in 1956.

Several of the major programs which we started in 1955 and even before are coming to fruition this year to enhance benefits to shippers through greater efficiency of operation and improved service. For example, our $34 million pipeline—begun last April and starting into operation this month—can bring refined petroleum products into Arizona from Texas and California at reduced transportation costs to both shippers and consumers.

Our $7 million ultra-modern classification yard started in 1954 near Houston, Texas, will go into operation next month, and work will continue on another radar-operated facility in Eugene, Ore. Both yards, when completed, will expedite handling of freight cars, thus improving car distribution and increasing car availability.

We also will continue to take delivery on orders last year for a total of 14,725 freight cars and 186 diesel units, costing together about $158 million. The cars represented record orders for us. It's also noteworthy that during the last 10 years, we increased the carrying capacity of our freight car fleet by 44%, and the number of cars by 35.9%.

Also in 1956, we will complete another $7 million project of Centralized Traffic Control installation that will expand the capacity of 114 miles of line in Southern California.

These are only highlights of a great number of improvements in progress. Others achieved last year include new freight services to the Pacific Northwest, improved schedules throughout our system, and the addition of more full-length dome-lounge and "hamburger grill" cars to our passenger service.

Our trailer-on-flatcar ("piggyback") operations increased and we extended them into additional areas of California, Oregon, Arizona, Texas and Louisiana, and also into the Middle West by linking SP's "piggyback" with that of our affiliate, the St. Louis Southwestern (Cotton Belt). During 1955, we acquired or ordered 1,044 trailers as well as 780 tractors and trucks, and expect to move our 100,000th "piggyback" van next month.

For ourselves, we expect traffic movements comparable to the good volume enjoyed by our lines in 1955, when a daily average of one and a half new industries, each requiring a spur track, located along them. Industry just naturally follows people, and industry is what we're geared to serve.

R. E. SALVATI

President, Island Creek Coal Company

Production, prices, productivity, and profits will all be on the increase in 1956. Coal is on the upswing and has a very bright future. The coal industry has been going through very trying times during the past five years, but with the general upturn in the economy of the country, as well as the upturn in the economy of Europe, coal now faces an ever-increasing demand.

R. E. Salvati

Production of bituminous coal was less than 400 million tons in 1954, and is estimated at 465 million for 1955. Production and demand should continue to expand annually and by 1960 will approximate 600 million tons.

This increased consumption has been brought about mainly by the step-up in energy demands of the public utilities and by the increased demand for steel making and export.

To satisfy these expanding demands for bituminous coal, however, the industry will be required to open new mines to replace those being exhausted and closed, and additional new mines to serve the added demand. This must be accomplished in the interest of quality, service, and cost through improved mechanization, automation, transportation, and use. To the "career" companies, dedicated to coal, will fall this responsibility. Only with these sources will the "know how" and "capital" be found to support a **sustained and planned** increased productive capacity of bituminous coal.

The day of the "opportunist" in coal is diminishing. More and more, large consumers of coal are buying the bulk of their requirements from the established pro-

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ducer. Only from such sources can they be assured of quality, supply, and service. This makes for a more stable price structure in the industry and favors the companies that realize profits are the means to growth. Nineteen fifty-six will show improved buying and selling "partnerships" in recognition of these facts.

Further, 1956 will bring into being an increase in the number of buyers who are contracting all—or a part of—their expanding coal requirements on a long-term basis. The benefits to buyer and seller in these instances are numerous and are added promise of sustained profitable production, with the lowest possible costs.

Despite the technological advances in the mining of bituminous coal and the higher rate of productivity, prices for 1956 will be on the increase. Even with the more favorable market conditions of 1955, many of the larger companies are still operating at a loss or with an insufficient margin of profit. Increased demand has just recently benefited many of these operations and only prices higher than at present can keep them on a sound business basis. Further, while the industry's labor contract runs until 1957, it is faced with an agreed wage increase as of April, 1956. Current-day prices do not permit the absorption of this increase and it will be reflected in higher market prices during 1956.

Each of these events is constructive from a long-range point of view, and will react to the over-all benefit of the nation, the consumer, and the producer.

A. S. SAPHIER

President, General Bronze Corporation

The year 1956 should continue to be a period of high volume in the commercial and home building fields. It is conceded that home starts may be somewhat less and, perhaps, as much as 10% less than in 1955. On the other hand, commercial, municipal, state and Federal construction projects will, in all probability, increase and consequently compensate for the deficiency in home construction.

A. S. Saphier

In the particular field of aluminum, the potential usages are constantly expanding and as a result our anticipation is for a greater percentage of the total volume of construction expenditures.

In the home building fields, the use of aluminum products such as windows, doors and other types of exterior enclosures will expand as the buyer becomes more discriminating. This trend has become more obvious in the past year than at any other time during the past decade. Aluminum windows have taken their place in the home building field as a commodity rather than their previous status of a specialty item. During this coming year, we anticipate our largest expansion in this young industry's history.

We here at General Bronze Corporation during the past year have expanded our production facilities for the purpose of manufacturing low cost aluminum windows by 200% in order to meet the demands of our customers for the new year and the years to follow.

Curtain wall construction in the commercial building field is also rapidly expanding as a result of the successful completion of the many projects throughout the country which have utilized this type of construction. Our own particular performance in this area has been outstanding, and we feel has justified the making available of additional plant area for that division of our business.

The Aero and Electronics divisions are progressing in these new and dynamic fields and there is every evidence that volume increases can be looked for in radar, television, radio, guided missile and aviation programs. Our past experience supplemented by known procurement factors suggests that the biggest production period for these items should occur in the 1956-57 and '58 periods.

DAVID SARNOFF

Chairman, Radio Corporation of America

Total sales of products and services by the Radio Corporation of America, in 1955, will exceed $1,000,000,000 for the first time in its history, thus placing RCA among the top 25 industrial companies in the United States. It is equivalent to more than $4 million business for each working day of the year. At the beginning of 1920, when RCA commenced its operations, the volume of business was running at the rate of $1 million a year.

David Sarnoff

From a million to a billion in 35 years is a record that gives all of us in RCA a sense of pride in the past and confidence for the future.

Our achievements in electronics, radio and television establish 1955 as our best year on record. I look forward to 1956 as a year of continuing progress.

Dividends to stockholders, declared for the year 1955, amounted to $24,069,000 (preferred, $3,153,000; common, $20,916,000). Employment totaled 78,000 persons, including 8,000 overseas. Government business accounted for about $220,000,000 of the 1955 total volume, and the current backlog of government orders is about $275,000,000. RCA's billion-dollar business in 1955 is 320% greater than its sales volume of $237,000,000 just 10 years ago, and compares with $941,000,000 in 1954.

Color Television

Last year saw color television get "off the ground" as a new service and become commercially established. The initial steps are behind us. With more and more color TV receivers being installed in homes daily, the entertainment value and other advantages of color pictures become increasingly apparent and are stimulating the desire of more people to acquire color sets. To meet the demand, RCA has introduced a complete line of 21-inch color receivers, including a table model, consolette and three consoles. As demand increases, production will increase and prices will decrease.

Color TV will continue to gain in momentum and will make an impact on the American home and the nation's economy. In 1956, color programming will be substantially increased by the National Broadcasting Company and we hope by others in the broadcasting industry. This will accelerate the transition from black-and-white to color and it is my firm belief that the sale of color sets will eventually exceed the sale of black-and-white sets.

NBC TV Programming

The National Broadcasting Company, a subsidiary of RCA, now has a telecast schedule of Color Spectaculars that is by far the largest in the industry. In expanding and developing its service to the American home, NBC is concentrating on the **quality** of its programs. Fully aware of the great educational and cultural opportunities in television, NBC is emphasizing quality not only in programs of popular entertainment, but in all programs—Drama, Operas in English, Education, News and Public Affairs. The "Wide Wide World" is a program esteemed for its educational as well as its entertainment value. Also worthy of note is the increased TV attention to informative programs on government activities.

The National Broadcasting Company is now entering its thirtieth year and 1955 has been the greatest year in its history. NBC's emphasis on quality, as well as circulation, stimulates the public's taste for the better programs on the air and encourages others in the industry to follow NBC's path toward higher program plateaus.

Progress in Other Directions

Industrial uses of TV and electronic controls hold promise of great expansion. Marked progress is being made in RCA's development of an electronic light amplifier; a magnetic tape recorder for television; a high-speed electronic printing process known as Electrofax; an electronic air conditioner; and microwave two-way radio communication for virtually all types of vehicles.

In the High Fidelity ("hi fi") field, both instruments and records gained in popularity during the year. To meet the demand, RCA Victor introduced five new Orthophonic High Fidelity "Victrola" phonographs which provide highly realistic reproduction of speech and music for the home.

As for radio communications, RCA's world-wide network now links the United States, its territories and possessions with 65 countries. During the past year direct customer-to-customer service, known as TEX (teleprinter exchange), was extended and now reaches 21 countries, including new circuits to the Philippines, Puerto Rico, Hungary, French Morocco and Tunis.

Major Developments

Five important areas in which new advances are being made are as follows:

(1) **Transitors**—They advanced technically and production-wise in 1955, and are being used in a number of instances in place of electron tubes to facilitate simplification of design and make electronic instruments lighter and more compact. RCA is now marketing pocket-size, all-transistor radios as well as a larger "personal size" portable set designed for extremely long battery life.

(2) **Business Machines**—These machines, including electronic computers and other devices, represent a vast field for development and expansion. RCA has developed a system called "Bizmac" for electronic data-processing. A Bizmac computing system purchased by the U. S. Army is being delivered to the Ordnance Tank-Automotive Command, Detroit, Mich., where it will complete in minutes inventory control procedures that now require months.

(3) **Military Electronics**—New developments in television, radar, radio communications and electronic controls are greatly increasing the effectiveness of virtually every type of military operation.

(4) **Radar**—A system, designed by RCA for all-weather purposes, is being installed by five commercial air lines in the United States and by four European air lines to increase the safety and comfort of passengers, and enable the pilot to see storm formations up to 150 miles ahead. A high brightness radar display system projecting images on a four-foot screen for viewing under normal lighting conditions has been developed by RCA for use in air traffic control and other applications where large and bright displays may be required.

(5) **Closed-Circuit Television**—Use of this form of TV is rapidly expanding in the fields of education and industry. The first closed-circuit installation of RCA compatible color television is being made at the Walter Reed Army Medical Center, Washington, D. C.

Research and the Future

RCA has built upon the bedrock of scientific research, development and engineering. We regard research as the lifeblood of modern industry and the basis for steady growth.

Progress is born of change as illustrated by the fact that during 1955, 80% of RCA's total sales will be in products and services which did not exist, or were not commercially developed, only 10 years ago. The majority of these new products and services were created through pioneering efforts that involved substantial expenditures for research, development and engineering.

Proceeds from the corporation's recent $100,000,000 debenture issue, along with other funds, will be used in furthering the expansion and development of RCA's research, manufacturing and service facilities in the electronic and related fields. During the last five years, RCA has spent approximately $160,000,000 for additions and improvements to its properties and facilities.

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1956

AMPHENOL & ELECTRONICS

AMPHENOL—the American Phenolic Corporation—has been building electrical and electronic components for nearly a quarter of a century. During this period we assisted in the birth and participated in the tremendous growth of America's *dynamic* industry: electronics.

We have no startling prediction for 1956. Electronics will continue to expand both in facilities and in products. New needs, new applications will arise; more 'impossibles' will become practical.

Like the industry, AMPHENOL will continue in prosperity in 1956, in the future as in the past. Again this year, as in every year, thousands of large and small manufacturers will turn to AMPHENOL for vital electronic components.

"building to the future of Electronics"

AMERICAN PHENOLIC CORPORATION

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ARTHUR J. SCHMITT

President, American Phenolic Corporation

In evaluating the prospects of the electronic industry for 1956, it is necessary to first look at some of the principal industries which are dependent upon electronic products. The aircraft and missile arms of the military are engaged in their own race for higher speeds, greater altitudes and increased safety. Most of these objectives are best attained by the use of electronic devices. At the high speeds and altitudes now realized and the even higher speeds and altitudes which are inevitable in the future, the flawless operation of electronic devices will of necessity replace manual means. At the same time greater emphasis will be placed also on weight and space saving.

Arthur J. Schmitt

In the industrial and commercial markets, the very wide acceptance of automatic computing devices for commercial accounting and scientific calculation has already established a wide market for electronic components. For instance, banks and insurance companies are able to materially reduce the cost of extensive calculations and voluminous record retention through electronics. Other varied applications for computing equipment are being discovered which will stimulate the commercial demand for electronic components and equipment. In such complex equipment, as we have experienced with military gear, the importance of reliability of each component has greatly increased. Thus quality standards must be ever improved.

The advent of automation requires constant vigil by electronic component manufacturers to insure that they keep pace with the changes in design prompted by automation techniques. Although automation will require that many components be redesigned, the occasion for the elimination of basic electronic components is not foreseeable. As an illustration, printed circuitry has prompted the design of many new and varied connecting and fastening devices.

The component manufacturer is at the heart of the electronic industry. The increasing demands made upon the industry by all segments of our economy for components of greater reliability, more perfect performance and unfailing accuracy demonstrate the vital role to be played by electronics in the future. So long as our industry is able to meet these challenges and accept new ones, there is no limit on tomorrow.

W. W. SEBALD

President, Armco Steel Corporation

In the year to come, general business throughout the U. S. should continue to be very active and since that will be true, the steel business will also be good.

At Armco we think the steel industry is almost sure to turn out more steel in 1956 than it did in 1955.

W. W. Sebald

While there may be a less urgent demand for certain consumer durable goods made of steel, there are many indications that steel demand in the capital goods fields will increase. Spending for new plants and equipment appears to be one of the brightest spots in the business picture. It is expected that capital expenditures this year will be at least 10% above those in 1955. In our own industry, it is estimated that capital expenditures will be about 70% higher than in 1955.

Federal expenditures for national security and other government projects are not likely to be cutback, and may be increased. It appears that state and local government spending for schools, sewers, water systems and other public construction will continue to rise. Money rates will determine how fast these programs will proceed.

Present indications point to the prospect of steel production at substantially full capacity through the first half of 1956. By the third quarter it is possible that the pressure for steel may ease somewhat — due in part to the normal seasonal decline in demand from some consuming industries.

However, if capital expenditure programs move along as planned, steel production should be somewhere between 115 and 120 million tons of ingots — depending upon inventory accumulations.

Thus 1956 could bring another new production record for our industry.

The year will be a further indication of steel's new place in our economy — closely tied to the trend of general business and no longer the "prince or pauper" industry it was in the past. The expanding uses of steel, along with the development of new and better grades of steel, make ours a growth industry.

Today, everyone is a consumer of steel from the cradle to the grave. This year our total consumption of steel required the production of over 1,400 pounds of steel ingots per capita—an all-time high. People's wants are never satisfied, and with the expanding uses of steel and with Americans buying ever increasing quantities of over-the-counter goods made of steel, we at Armco see a clear pattern of continued growth for our industry and our company.

LEWIS A. SHEA

President, The Connecticut National Bank, Bridgeport, Conn.

Lewis A. Shea

The 1956 outlook for business can be affected by many contributing factors. If it were not a Presidential year, my impression of the outlook would be a lessening off but still a high prosperity. However, it is an election year and I think the first six months, it can be easily said, will be prosperous. The last quarter, however, will not maintain the earlier trend but the Christmas Season should temper the lessening of demand.

Inventories should be watched and loans made with great discretion. A fair year but not as good as 1955.

P. M. SHOEMAKER

President, The Delaware, Lackawanna and Western Railroad Company

I believe the railroad industry faces the new year with optimism despite the fact that the industry as a whole has not shared in the so-called boom of the past year to the same extent as many other lines of business. In 1955 the railroads had a return of only 4.3% on their property investment, obviously too low when contrasted with 6% or better for return on public utilities and 10% or more for many other industries.

Perry M. Shoemaker

My optimism for 1956 is based on my belief that there is a growing appreciation of the importance of the railroads in the face of modern conditions as exemplified by the President's Cabinet Committee report on transportation. This report has recommended changes in the national transportation policy to fit the needs of the day; proposing less regulation of all transportation agencies and requiring that competing forms of transportation be governed by similar rules. Great abuses, and therefore great public problems, have crept into our transportation picture. The railroad industry is heavily regulated, based upon its long-since gone monopoly pattern. Common carrier trucking has rate regulation but contract carrier trucking has essentially no rate regulation and private trucking has no regulation whatsoever. Pipelines have limited supervision from the Interstate Commerce Commission, but inland water carriers with their bulk exemptions as contract carriers do not have to file and publicize their rates. Nor do private water carriers. The certificated airlines publish actual rates but the unscheduled airlines have a far looser picture of rate supervision. Agricultural commodities are exempt from rate regulation on the highway.

It is apparent to all students of transportation that, under todays competitive conditions, these varying degrees of regulation and government support, together with misrepresentation as to types of carriage, e. g., not really private trucking—indulged in by some users and vendors—have created serious transport sickness.

It is earnestly hoped that Congress will recognize the necessities of the situation in considering legislation recommended by the Cabinet Committee.

The railroad industry is alert to modernization and has spent tremendous sums for technological improvement and research in its effort to improve the quality of and reduce the cost of its service to the public. Much remains in the way of technological improvement than has been accomplished so far and to achieve this stability of earnings and equality of competition must be assured.

R. PERRY SHORTS

President, Second National Bank and Trust Company of Saginaw, Mich.

The Business Outlook for 1956 is very good. After over 50 years of active business life (including 14 Prosperities and 13 Depressions, large and small), I have come to believe that both Prosperities and Depressions are largely man-made, and that whether business is good or bad depends on the **confidence** of the people. Business "booms" when **confidence** is high, and "slumps" when it is low. When people are filled with confidence, they do business, and when they are filled with fear, they don't. It's as simple as that.

R. Perry Shorts

Happily, I have never seen the confidence of our people in all the walks of life so highly pitched or so widely spread as it is today. Everybody is working and earning big wages and the people are spending their money freely—and **spending makes business.**

Furthermore, this heavy spending by the people has bolstered the confidence of the manufacturers who produce the goods the people are buying. They have already planned to spend over 33 billion dollars for plant expansions in 1956. Prosperity is contagious. This means that our most powerful businessmen are betting their billions that America's future is going to be prosperous and that any possible recessions will be short-lived. More plants mean more production, more production means more jobs, more jobs mean more income, and more income means still more spending for more goods. **Expansion feeds on itself** — and you can't stop expansion as long as we are constantly building new plants and producing new customers at the rate of 11,000 new babies per day, or 4 million per year.

Nationwide, business leaders in such important fields as steel, chemical, housing, petroleum, transportation, merchandising, etc., are predicting both higher sales and higher profits in 1956. Of course, the farm over-production problem is a political football (with a barrel of votes at stake) and the politicians will never allow it to be corrected by the old reliable economic "supply and demand" formula which quickly solves the over-production problems in all other lines of business. And so, there will be some ripples here and there, but on the whole, and barring serious labor strikes, another good business year is clearly indicated. Even the poker-faced bankers are beginning to smile.

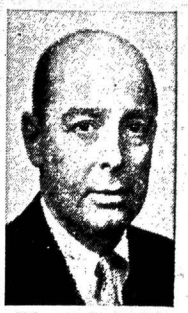
And finally, it's a sure bet that the government will go "all out" to keep business good this election year —and it can do a lot. Washington knows that when business prospers, everybody prospers; and that any new law that hurts business, hurts everybody. And our present Administration also knows that it is Private Enterprise and not Government, that makes our country prosperous; that our people want jobs, not bureaucrats and "give away" programs; and that the best friend of the people is not the politician, but the business interests of America which furnish the jobs for our 65 million workers—and whose success or failure casts a profound influence upon every job, every school, every city and every home in the whole United States.

Regardless of our individual political leanings, we must all admit that our country was never as prosperous as it is today; that the Eisenhower Administration has been amazingly successful in restoring **confidence** in the minds of the people; and that it has accomplished all this, as Sterling Green suggests, through the redemption of **"peace, a balanced budget, reduced taxes** and a **sound dollar"**—a sure prosperity program for any Administration.

EDWARD D. SMITH

President, The First National Bank of Atlanta, Ga.

Banking in the South enters the year 1956 with the highest commercial loan volume in its history and perhaps the strongest loan demand in many years. From the standpoint of banks themselves, this indicates continued prosperity during 1956, assuming that the general economy does not sag, which seems to be a sound assumption at this time.



Edward D. Smith

With respect to business in the South, this increased commercial loan demand means somewhat more stringent credit requirements, but there does not seem to be any reason why the legitimate borrowing needs of this section of the country cannot be accommodated by the banks in this area.

Not only are commercial loans at a high level, but consumer credit (monthly repayment loans) is also at a high level and there is some continuing pressure for this credit to increase. The encouraging factor with respect to consumer loans is that collection records during 1955 were generally better than experienced for several years. This leads to the conclusion that, as yet, this type of loan has not reached dangerous proportions.

HOWARD L. SHUTTLEWORTH II

President, Mohasco Industries, Inc.*

The outlook for the carpet industry during the coming year is, in my opinion, good. Barring political or psychological developments that might reduce consumers' willingness to buy, industry sales could surpass the high levels of 1955 by 5 to 10%. The economic factors that support an expectation of some increase in sales in 1956 are the continuing high levels of employment and consumers' disposable income. The still high level of home building, the ever increasing population, and an apparent increased interest in home improvement programs. Supplementing these basic elements are several other factors which should enable the industry to increase sales of new rugs and carpets in 1956. First, the industry is continuing, and intensifying through color advertising, its promotion of the merits of having carpet in the home. Secondly, time-payment purchase plans, which were just getting started last year, have received almost industry-wide support and promotion, and promise to have more influence on sales than they did last year. Thirdly, new merchandise introduced at the January markets in both the woven and tufted categories embody a number of new surface techniques which should attract consumer interest. And finally, there does not appear to be any abnormal inventory accumulation at retail or wholesale levels to retard manufacturers' sales.

H. L. Shuttleworth II

This favorable situation for increased sales by the American carpet industry is offset somewhat by the increasing inroads being made into the American market

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*Outgrowth of merger of Mohawk Carpet Mills, Inc. and Alexander Smith, Inc.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market seems to be in one of those in-between periods, which means that it will take time before the indefiniteness which surrounds it will have been resolved. Even though current opinions appear to lean towards the viewpoint that the peak has been seen in the uptrend in interest rates, the action of the monetary authorities so far indicates a continuation of the policies which have been in force. The Central Banks are still offsetting the return flow of currency from circulation and the sharp decline in loans.

Volume, according to reports, has picked up somewhat in the Government market, with new commitments in selected issues, along with tax switches, being responsible for the increased activity. New York City banks, it is reported, have been buyers of certain of the more distant maturities in mild competition with some of the smaller banks. Public pension funds are still in the market for the longest Government bonds.

Peak in Rate Uptrend Reached?

It seems to be the opinion of not a few money market specialists that the peak of the uptrend in money rates has been reached, if not already past. This could mean that the question of further increases in the discount rate, the prime bank rate and other short-term rates would be largely academic, since the monetary authorities should not be inclined to tighten the money markets further under such conditions. This does not, however, indicate that there will be abrupt changes in the action of the powers that be. It is evident that the trend of economic conditions is going to have an important influence upon the future course of the money market, because the policies of the monetary authorities will still be geared to what develops in the business picture.

If the top has been reached in money rates, as some believe, then it must be assumed that the peak of the boom has also been seen, if not already past. If the business boom has run its course, and a leveling off is in the making, then the trend of interest rates will be towards less tightness if not a certain amount of ease. This means that the short-term money market will be the first to reflect any change in the demand for money and credit. Up to now, there has been a somewhat increased amount of funds seeking an outlet in the near-term issues, with a fair part of this money being put to work in tax exempt obligations.

The trend of commercial loans is being watched very closely as a clue to the future course of the money market. In conjunction with this important money market factor, the trend of consumer loans, home and commercial construction, automobile production and sales, and inventories are also being given very close scrutiny, because the future trend of the business picture will be effected in no small way by what takes place in the aforementioned economic forces.

It appears as though a great deal of the current trend of thought in the money market is that the worst of the tightening process is over, and this is being interpreted to mean in some quarters that for a while interest rates will be in a sort of a plateau. The extent of the leveling off process which is being looked for in the economic picture will determine what takes place as far as the future course of interest rates are concerned. It is evident that any lessening of the demand for money and credit will have a favorable effect upon the money market. This influence will be felt most sharply in the near-term sector, with the more distant maturities also, sharing in the trend, but not to the same extent and not as rapidly.

Heavy Demand for 3s of 1995

According to reports, there has been an enlarged demand for the longer-term Government obligations, because some of the buyers which were on the sidelines have decided to make commitments in these securities. The longest Treasury obligation, the 3% of 1995, has been and still is the leading issue in the more distant Government market. Even though some money market specialists believe this security is outdistancing certain of the other bonds, it continues to have a good demand in spite of the profit-taking which has appeared from time to time.

Good Buying in Discount 2½s

There also seems to be a somewhat better interest around for the 2½% Government bonds, with buyers now inclined to step up the amount and size of their commitments. It is reported that some of the institutions which have not been too much concerned with the more distant Treasury issues are now moving out of the shorter obligations into the discount 2½% bonds. According to advices, a substantial part of the buying which is being done in these bonds is coming from the smaller out-of-town banks, mainly in the mid-west areas.

With Livingstone, Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald P. Marentette is with S. R. Livingstone, Crouse & Co., Penobscot Building.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Arthur M. Gold has been added to the staff of B. C. Morton & Co., Penobscot Building.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—William Jastrow, Jr. is now with Continental Securities Co., Inc., People's National Bank Building.

With Metropolitan St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Keith Forister Stocker is now affiliated with Metropolitan St. Louis Company, 315 North Seventh Street, members of the Midwest Stock Exchange.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

AURORA, Colo. — George D. Dammers has joined the staff of Renyx, Field & Co., Inc.

Columbia Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul A. King has become affiliated with Columbia Securities Co., Inc., Equitable Building.

Joins Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Susumu Matsumoto has been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Joins Honnold Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles E. Lewis has become connected with Honnold & Co., Inc., 524 Seventeenth Street.

W. W. Hibberd Officer Of Marine Trust

William W. Hibberd has been elected an Assistant Vice-President of The Marine Trust Company of Western New York, according to an announcement made by the bank.

William W. Hibberd

Mr. Hibberd, who joined the Municipal Securities Department of the bank in their New York office on Monday, Jan. 9, will be in charge of general market municipal operations of the department.

With Burgess & Leith

(Special to THE FINANCIAL CHRONICLE)

PROVIDENCE, R. I. — William M. Breed, Jr., is with Burgess & Leith, Hospital Trust Building.

Joins Chas. A. Day

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Vernon S. MacDonald has become associated with Chas. A. Day & Co., Inc., Washington at Court Streets, members of the Boston Stock Exchange.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph J. Grillo has joined the staff of Dean Witter & Co., 19 Congress Street.

Distributors Group Award to Murphy

Walter J. Murphy, Regional Manager for the New York Metropolitan Area for Distributors Group, Inc., sponsors of Group Securities, Inc., $100 million mutual fund, has received the top award for 1955 sales of the company's Periodic Investment Plan.

Walter J. Murphy

This is the third consecutive year that Mr. Murphy has led the national organization in sales of plans through which investors may purchase shares of the company's funds at regular intervals.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George E. Robertson has been added to the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George J. Scott is now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Electrical

• WIRES
• CABLES
• CONDUITS

ROME CABLE CORPORATION

ROME, N. Y. and TORRANCE, CALIF.

COUNTY BANK AND TRUST COMPANY

Paterson, Passaic, and Little Falls, New Jersey

Statement of Condition

as of close of business December 31, 1955

Resources - - - $111,352,997.40

ASSETS

Cash	$16,901,426.33
U. S. Government Obligations	19,608,455.95
State and Municipal Obligations	10,812,710.96
Other Bonds and Securities	1,474,330.41
Mortgage Loans —	
Insured or Guaranteed	25,805,203.91
First Mortgage Loans	11,215,411.43
Loans and Discounts	23,009,941.71
Banking Houses	1,567,873.61
Furniture and Fixtures	366,237.69
Accrued Income Receivable	391,606.56
Other Assets	199,798.84
TOTAL	$111,352,997.40

Amounts shown are net, after deducting Valuation Reserves

LIABILITIES

Deposits		$100,804,140.51
Reserve for Taxes, Accrued Interest, Expenses, etc.		423,208.95
Discount Collected, Not Earned		877,920.00
Other Liabilities		499,660.49
Dividends Payable		79,860.40
Common Stock	$2,250,000.00	
Surplus	4,500,000.00	
Undivided Profits	1,918,207.05	
Total Capital Funds		8,668,207.05
TOTAL		$111,352,997.40

In addition to the above, assets held in the Trust Department total $24,203,953.69

C KENNETH FULLER, President
COWLES ANDRUS, Executive Vice President
NORMAN BRASSLER, Executive Vice President
C. WELLINGTON DEY, Executive Vice President

6 Convenient Offices
PATERSON, N. J.
PASSAIC, N. J.
LITTLE FALLS, N. J.

County Bank AND TRUST COMPANY

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Continued from page 114

by foreign machine-made carpet. All American carpet producers will be adversely affected by this loss of sales, although the major effect will be felt by manufacturers with heavy wilton volume.

The profit outlook assuming that 1956 sales will at least equal 1955, appears to be about the same as 1955. Profit margins remain modest. Although wool costs may be edging up, the continuing developments in man-made fibers and their increased acceptance by consumers, together with the drop in the price of carpet nylon, should tend to stabilize raw material costs.

C. R. SMITH

President, American Airlines, Inc.

General business conditions should be good in 1956. For that reason, gross income for the airlines should continue to grow. Profit margins will be narrower. The airlines with costs below the industry average, with reasonable load factors, will be the more profitable. The airlines now on a regular dividend basis should be able to continue payments at a rate approximating those of recent years, and new equipment purchases should not affect that ability in most cases.

C. R. Smith

There has been a great rash of new route authorizations by the regulatory agency, the Civil Aeronautics Board. It remains to be proven that this rate of parelleling is needed or that it can soon be justified by the usual tests of public convenience and necessity.

Capital requirements will increase substantially, through need to contract for the purchase of new equipment, most of it to be delivered in 1959 and 1960. The principal airlines have in some cases already met this requirement through the negotiation of long-term loans from insurance companies.

In spite of high capital cost, the new airplanes, both the turbo-prop and the turbo-jet, should have the ability to produce air transportation at a cost lower than that for the conventional airplane, if suitable load factors on the larger machines can be maintained.

Service of four and one-half hours from coast to coast will be available in 1959, and will be in widespread use during the following years. Within ten years it is probable that most of the conventional aircraft of today will have been retired to the shorter runs, or have been disposed of. The long-term trend is definitely toward aircraft powered with turbine engines.

The greater utility of the new service, greater time-saving at approximately the same total cost, will bring a new and renewed era of growth for the airlines.

JOHN W. SMITH

President, Seaboard Air Line Railroad Company

The prospects for continuing good business in 1956 are perhaps even brighter than they were for 1955 at the commencement of that year. Last year was a good business year. There are good reasons at the moment to believe that this year will be equally good, or even better.

John W. Smith

A steady increase of population in the six states served by the Seaboard — Virginia, the Carolinas, Georgia, Florida and Alabama — indicates potentially greater growth in many other fields. As a likely illustration of this, there were more than 100 new industries of a permanent character located along the Seaboard's lines in 1955. Plant facilities were expanded by more than a score of large companies in this same period.

Furthermore, there was a continued rise in per capita income. In the states the Seaboard serves, this rate of per capita gain in income was higher than that for the nation generally, a trend which has been noticeable for the past few years. New purchasing power is of course generated through increased family incomes, and business is accordingly stimulated. It is reasonable indeed to expect that this trend will continue in the Seaboard's territory.

Industry in the Seaboard's territory is becoming much more diversified. The region's growing agricultural production has caused the establishment of a number of food processing plants to utilize this increase, and there also have been other concerns, either new or enlarged, dealing in chemicals, furniture manufacturing, steel fabrication and mining which have added to the business activity in the area. Again in 1955, partly as a result of these expanded and diversified interests, the total electric power generating capacity in the Seaboard's territory was increased by 15% over the preceding year.

During the past year there also was an increased demand on the Seaboard's services. This gives the Seaboard's management reason to believe that there will be an even heavier demand this year, and the company placed orders for 2,400 new freight cars to be delivered in 1956. During the past year it put 1,000 new freight cars in service. It also ordered 25 new lightweight stainless steel passenger cars, including both sleeping cars and coaches, some of which already are in service and the balance expected within the next few weeks.

Within the past few years there has been spectacular growth in the territory served by the Seaboard. Yet there seems no end in sight to this steady improvement and the Seaboard looks forward, along with the region it serves, to a year of good business prospects in 1956 and an opportunity for even more extensive economic expansion.

LEWIS M. SMITH

President, Alabama Power Company

The year 1955 witnessed the greatest industrial growth in the history of Alabama. Capital investment announcements for new plants and for the expansion of existing plants, was approximately $400,000,000.

Lewis M. Smith

A few of the nationally-known manufacturers announcing new plants for Alabama in 1955 were: Marathon Corporation; National Gypsum Company; Container Corporation of America; Consolidated Chemical Industries, Inc.; International Paper Company; International Color Printing Company; F. C. Huyck & Sons; Allis-Chalmers Manufacturing Company; Gulf States Paper Corporation; and Coosa River Newsprint Company.

Some of the major companies announcing expansion of their Alabama plants are: Republic Steel Corporation; Olin-Mathieson Chemical Corporation; Reynolds Alloys Company; Stauffer Chemical Company; Monsanto Chemical Company; Courtaulds (Alabama), Inc.; Ideal Cement Company; Scott Paper Company; Hazel-Atlas Glass Company; U. S. Pipe & Foundry Company; Connors Steel Division of H. K. Porter Company; Reichhold Chemical Company; Lone Star Cement Company; Central Foundry Company; and Pullman-Standard Car Manufacturing Company.

This multi-million dollar construction program has created thousands of new jobs and has stimulated activity in many fields. Birmingham, Mobile and Montgomery are becoming more important centers of distribution. Regional offices and warehouses are being constructed at a rapid pace in many locations to serve a growing market for goods of all kinds.

Long range forecasts by Alabama Power Company indicate that due to the developments under way, the use of electricity will more than double in the next 10 years. To meet this demand, which in 1955 exceeded 1,260,000 kilowatts, the company plans to invest in the next three years approximately $150 million for additional facilities. Of this, about $36 million will be spent during 1956.

Last month, the company filed applications with state and Federal regulatory authorities to begin work on a $100 million development on the Coosa River, which over a period of 10 years will involve the construction of four new power dams and the raising in height of an existing dam. Thirty million dollars is being budgeted for hydro-electric generating facilities on the Warrior River. In addition to this hydro-electric program, work is under-way on 550,000 kilowatts of steam-electric generating capacity. The capital outlay for new facilities is the Alabama Power Company's way of backing its faith in the continued industrial growth of Alabama and the over-all economy of the nation.

Based on Alabama's abundant mineral and forest resources, excellent climate, abundance of water, easily-trained workers, good transportation facilities, a favorable political climate, an ever-growing market for goods and services of all types, and the whole-hearted enthusiasm of its people for industrial progress, the continued economic growth of Alabama is inevitable.

McGREGOR SMITH

Chairman, Florida Power & Light Company

Florida has completed the most prosperous year in her history. But that is no longer news. Each succeeding year establishes new highs in all industries and businesses. We feel certain that 1956 will be no exception.

McGregor Smith

One of the best indicators of the general progress of an area is the expansion of the electric utility, because the service it provides measures the net growth of all businesses. The Florida Power & Light Company serves a third of the State's population, with its load center in the Miami area. During 1955 we put into service 155,000 KW of generating capacity at the Cutler Power Plant, in the Miami area, bringing our total system capability up to 897,000 KW, more than four times our V-J Day system capability. We now have well on the way to completion the 85,000 KW addition to our Palatka Power Plant on the St. Johns River which, with 8,000 KW increases in other units, will put another 93,000 KW into service around the middle of 1956. A 320,000 KW addition to our Lauderdale Power Plant, just north of Miami, is under construction. This addition will consist of two equal units, one to be put into service in 1957, the second in 1958. This one addition will almost equal our total system capability so short a time ago as January, 1950. These additions will increase our ability to serve anticipated load increases of 50%, all within a short three-year period.

It is significant in appraising the future to note that the Miami area—one of the world's greatest winter and summer playgrounds to which airline advance reservations for the 1955-56 season were a third above last year's—has now become, at the same time, the largest and fastest developing manufacturing center in Florida. And, in Florida, factory jobs have increased 50,000 since 1947. This numerical increase was exceeded by only 10 states in the nation, and percentage-wise it was exceeded by only one state east of the Mississippi, where seven of the country's eight great manufacturing centers are located. Its industrial growth is both rapid and stable. In 1954, when the annual rate of manufacturing employment in the country dropped 5½% there was an increase in Florida, and in the Miami area that increase was 8.7%. During the first half of 1955 the country as a whole just about broke even, but in the Miami area manufacturing jobs increased 15% and this rate of development has been closely maintained through November, the latest reported month.

We anticipate the continued steady, rapid development of Florida's sound economy in 1956.

R. H. SMITH

President, Norfolk and Western Railway Company

During 1955 we have experienced an encouraging improvement in the general business situation as compared with the previous year. The steel industry, an important consumer of coal, has gradually increased from an approximately 65% capacity operation in mid-1954 to nearly 100% of capacity at the present time. The electric power generating industry, another substantial user of coal, is at a record volume output. Export demand for American coal has likewise increased sharply, and we are hopeful that this demand will continue at a good level.

R. H. Smith

Other freight traffic, such as cement and limestone products, and heavy industrial chemicals, is increasing in our territory. So the outlook is encouraging.

The feature of the present situation that gives us most concern is increases in equipment and material costs and wage rates which are currently taking place, and which have occurred during the last three years without compensating service charge increases. If that situation can be corrected, we are optimistic about the outlook for the New Year.

W. CORDES SNYDER, Jr.

President, Blaw-Knox Company

Never has U. S. industry experienced such a welding of competitive spirit with high level demand.

Economists who express concern about the soundness of current prosperity can be assured at least on this point: basic industry, no less than the end consumer, is shopping around to get big value for its spending dollar.

W. C. Snyder, Jr.

As a supplier of capital goods and engineering services, Blaw-Knox is a front line observer of this trend. Industrial enterprises are planning long-term expansion as never before, but they are double-checking and triple-checking to insure maximum increment of added capacity for each dollar of expenditure.

For example, that most basic of our industries, steel, is concerned with the problem of financing the tremendous expansion that seems indicated as a minimum necessity to support the growth of the U. S. economy. While estimates vary, a conservative guess is that steel making capacity must be increased at least 25 million tons in the decade ahead.

Some of this may be provided by rounding out existing facilities. This "tag-on" expansion is relatively economical, costing perhaps $150 to $175 per ton of added annual output. Unfortunately, the opportunities for this type of expansion are rapidly exhausting.

Soon, steel must venture on the more expensive capital road of building virgin capacity. This will cost roughly twice as much as the tag-on expansion, the estimates ranging from $300 to $350 per ton of capacity.

Faced with this big problem of generating and enlisting the capital needed to finance demanded growth, steel operators are planning expenditures with minute care. Technicians analyze the serviceability and cost performance of all unit operations and equipment. Engineers are urged to develop new potential from developments. Scientists and researchers explore the possible contributions from new techniques. Purchasing agents scan the suppliers critically to extract competitive savings.

This is a challenging horizon not only for the managers in the steel producing industry, but for companies like ours which specialize in developing and manufacturing the cost-saving equipment that increasingly establishes this basic industry as a highly mechanized operation.

The technological advance of the steel industry during the past 20 years has been tremendous. One of the results, apart from increasing steel workers to one of the most highly paid employee groups in the world, has been the lifting of steel profits more closely to the all-industry average. The need, however, is for steel to pace industry in profitability, and thus to generate the financial resources need for growth.

I believe this will be accomplished. The future potential from technical advances and still greater mechaniza-

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tion exceeds the achievements to date. The rise of developments in oxygen use to improve the efficiency of iron-making and metal refining; greater use of pelletized ore and higher blast furnace temperatures, thus permitting more output per foot of hearth and lower coke consumption; improvements in automatic pouring; in refractories; in furnaces; in rolling and conditioning facilities—these and many other developments have not yet made their maximum contribution.

There is also the rise of chemical engineering in steel making, which will permit more salvage and extract greater values from raw materials and by-products.

And in time steel may develop, perhaps through cooperative research on a crash program scale, lower cost capital routes to new capacity and to more flexibility in locating new facilities for steel production.

The dramatic outlook for steel is a constructive influence on the total economy. The same may be said of the growth movement and the rapidly advancing technology in the dynamic field known as the chemical process industries. They, too, are hard buyers, extracting every competitive advantage, feeling the compulsion of stretching their capital resources over the maximum frontier of growth.

And so it goes, with one industry after another feeling the lash of competition, of the need to reduce costs, to develop capital for growth, and to obtain the maximum progress and utility from each dollar of capital expenditures. Much as I would like to sell to easier markets, we realize that this situation is an essentially healthy one. Our economy has more self-correcting and progress-stimulating ingredients than many people may suppose. This is a 24-hour-per-day, 365-day-per-year battle on a frontier that has, as yet, no visible end.

JOHN I. SNYDER

Mainland Executive Director, Commonwealth of Puerto Rico
Economic Development Administration, New York City

During the year 1955, some 1,200 "Point Four" observers from all over the world visited the Commonwealth of Puerto Rico. Representing such far-flung places as Iran, Liberia, Egypt, Burma, Africa's Gold Coast, Guatemala, Korea, Thailand, Brazil and Israel, they came to see just how one test-tube island (half the size of New Jersey) was lifting itself up by its economic bootstraps without the aid of government handouts, dictatorial controls or socialist planning.

John I. Snyder

In the same period, an almost equal number of continental U. S. manufacturers toured Puerto Rico, but this time with a somewhat different objective in mind—to examine a host of specific profit incentives widely promoted on the U. S. mainland; among them, no income taxes for a decade, a large labor pool, pre-built multi-purpose factories, worker training and selection, low freight rates. Neither group was disappointed.

On the borad socio-economic front, Puerto Rico continued a pattern of growth that has been accelerating rapidly since 1940. Net income, a good barometer, was up to $990,000,000, roughly three-and-a-half times that of 15 years before.

Material proofs of this rise were very much in evidence in 1955. More than 100,000 automobiles, including 2,000 new Cadillacs, crowded the highways; 80,000 television antennas beckoned from the horizon; and record sales of refrigerators, yachts, motorcycles and electrical appliances were all reported.

But if Puerto Rico's economy was obviously growing, it was also rapidly changing its complexion. In 1940, as in the half century previous, Sugar was King.

But by 1955, all agricultural income accounted for only 16% of the total net income. For the 12 months ending in mid-1955 the estimated income from manufacturing, a mere $26,000,000 in 1940, had reached $151,400,000 and was gaining on the $159,600,000 from agriculture.

Our Governor, Luis Munoz Marin, has just predicted that the year 1956 may witness the turning point, with manufacturing outstripping farming as a source of income. As many visitors have observed, the wrench is fast replacing the machete in modern Puerto Rico.

For continental U. S. businessmen, investors and manufacturers, there were equally interesting discoveries. Since 1947, Puerto Rico's Economic Development Administration, through its New York, Chicago and Los Angeles offices, had been enthusiastically describing to Stateside manufacturers a wide variety of industrial incentives and natural advantages offered by the island.

Tax considerations were paramount here. With no representation in the U. S. Congress, Puerto Rico did not come under Federal tax law. Moreover, the self-governing Commonwealth, like the American West of 90 years before, was being encouraged to get part of its share of normal mainland expansion. Even in 1955, Puerto Rico with 1¼% of the U. S. citizenry received less than 1/10 of 1% of U. S. new plant investment. It thus has the great needs—and also offers the wide open opportunities —of a new frontier.

To Federal tax freedom, Puerto Rico's legislature added 100% local tax exemption for 10 years under the Industrial Incentives Act of 1954, along with modern low-lease factories, on-the-job training, technical aid and economic counselling to make the package more attractive to brand new or branch enterprises — since "runaway" plants are excluded by regulation.

Results in 1955 were good. Some 64 mainland, affiliated companies set up branch plants. Among the top names added to Puerto Rico's roster during the year were International Latex, Beaunit Mills, the Carborundum Company and the Sunbeam Corporation. In addition, expanding previous operations, were, among others, Remington Rand, Sterling Drug, Consolidated Cigar and the Shoe Corporation of America. Even at this point, the 10-year score of EDA-promoted factories is impressive: 342 new plants in operation, an investment of $150,000,000; annual sales of $125,000,000; EDA-caused employment direct and indirect of over 65,000, supporting almost a quarter million Puerto Ricans; a nicely balanced product range that includes electronics, plastics, metal work, electrical equipment, apparel, textiles, footwear, cigars and optical instruments.

But increased mainland and Puerto Rican investment, growing technical know-how, industrial facilities and public utilities plus an almost fanatic desire to succeed did not solve all of Puerto Rico's economic problems in 1955 by a long shot. Unemployment still wavered around 15%, the equivalent of 10,000,000 jobless in the continental United States. Also, per capita income, although more than tripled in 15 years, at $436 was still about one-half of the poorest U. S. state. Nonetheless, a good beginning had surely been made, and prospects for the long-term future seemed bright.

Let me then put forward these four predictions on Puerto Rico and 1956:

(1) **Industry will outproduce agriculture.** Industry in general and manufacturing in particular are the heart and soul of Puerto Rico's development program. During 1956, manufacturing income at close to $160,000,000 will top farming revenue for the first time and become the dominant theme in the Commonwealth's economic future.

(2) **A trend toward industrial bigness.** Big-name plants and large-scale installations were a prime feature of 1955. Projects begun in 1955 that will reach full production next year include two mainland-affiliated oil refineries representing an investment of over $55,000,000 and a $12,250,000 ammonia plant.

(3) **Record purchases from the continental United States.** Puerto Rico's accelerated economic pace during the last 12 months had one direct effect on thousands of mainland businessmen — record sales of $524,000,000 on the island. Next year, a further increase in Puerto Rican family purchasing power should bring this total up to $550,000,000, with purchases from every state in the Union.

(4) **Increase in tourism and tourist facilities.** Continental U. S. tourists were attracted to Puerto Rico during 1955 in record numbers. Over 150,000 visitors added $25,000,000 directly to the Commonwealth's economy, up 10% over 1954. Equally important, $20,000,000 in new hotels and related construction formed a solid base for greater gains to come, including: Laurence Rockefeller's El Dorado luxury resort with an 18-hole golf course; a 100-room extension of the Caribe Hilton; a new $4,000,000 Mills-Landrum hotel! and an $8,500,000 Henry Held hotel project that includes complete convention space. With this increase in facilities, Puerto Rico has only begun to tap its enormous tourist potential of climate, history and central location.

In 1955, Puerto Rico was neither the "stricken land" of a decade ago nor yet up to the American standard of living it plans for the future. But the Commonwealth does have a remarkable program and record of progress in "Operation Bootstrap."

ROBERT S. SOLINSKY

President, National Can Corporation

The can-making industry stands on the threshold of another year of profitable operations and increased sales. The 1955 results were exceptionally good, when considered in the light of the disastrous summer hurricanes which sharply reduced the yields of several seasonal food crops. Despite this development, sales of cans in 1955 showed a moderate gain over 1954. Indications point to an even better year in 1956.

Robert S. Solinsky

The growth of the can manufacturing industry has been dynamic throughout its history. It has played a significant role in the merchandising, packaging and advertising patterns of the American economy. Through low-cost packaging in attractive, one-trip containers, it has changed family buying habits, and has contributed to the higher standard of living enjoyed in the United States.

Public acceptance of canned goods is increasing constantly. Replacement of the unsanitary bulk measuring and merchandising of the past with the attractive and efficient food retailing methods of the present has helped and has been helped by the development of all unit packaging, and by the tin can in particular.

Today, many different kinds of products (food, household, drug, cosmetic and industrial items) are offered in thousands of different types, sizes and shapes of cans. Tomorrow, and in the years to come, many additional products will be offered.

Of equal importance in broadening the consumer market for canned goods has been the introduction of new techniques for more efficient and economical production. These developments are contributing to increased adaptability of the metal can to new uses, improved appearance and greater strength.

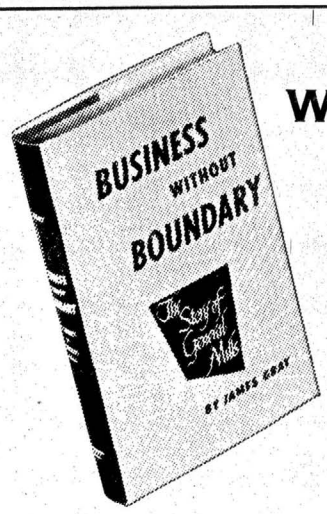
Modern high-speed production methods are a far cry from the completely manual operation prevalent at the turn of the century. Present-day can lines easily turn out 400 cans per minute; most can plants produce millions of cans daily.

We at National Can are proud of our contribution to the industry's growth. Although National only recently rose to the ranks of the top three companies in the field, it has made important contributions, through research, to the development of new uses for cans.

An important example, which is finding increasing consumer acceptance, is the soft-drink can. National pioneered in this field, and currently enjoys more than twice its proportionate volume, as compared with the can manufacturing industry in general. Our company led the shift from the cone-top style to the currently more popular flat-top style.

With the surface of demand barely scratched, the indicated potential market for soft-drink cans is probably

Continued on page 118



WHAT'S BEHIND THE "GOLDEN" DIVIDEND RECORD OF GENERAL MILLS?

General Mills has earned and paid regular dividends on its common stock without reduction since 1928. Only nine other companies with stock listed on the Big Board of the New York Stock Exchange have this record. With General Mills they form the "Golden Ten".

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as great as the current market for beer cans. The latter now absorbs nearly 20% of the industry's entire can output.

A relatively new product, which can prove very important, is the detergent can. Much more will be heard about this type of container during 1956.

The industry is making progress in eliminating the valleys between the peaks of heavy demand which occur during the perishable food canning season. Oil, paints, detergents and similar household and industrial items are packaged and sold the year 'round; they do not impose a seasonal demand on can manufacturers. Non-seasonal foods or meals in cans, such as pork and beans, spaghetti and meatballs, meat stews, permit off-season packing. Canned pet food is another very substantial year-'round item.

National Can goes even farther in leveling out the seasonal peaks and valleys in production, through its recently expanded activity in the housewares field. Our company is the leading producer of decorated metal housewares, which include canister sets, waste baskets, step-on refuse cans, trays and many other items. Barbecue grills and metal picnic baskets are also manufactured.

The can-making industry's relentless search for new uses for its products; its constant trend toward lower costs and higher operating efficiency, augur well for the future. Moreover, in 1956 we should have the benefit of a favorable business atmosphere. Most businessmen and many economic analysts feel that 1956 will be an even better year for the economy than 1955, with high levels of industrial production and personal income.

I am optimistic on the outlook for the can industry in general, and for National Can in particular.

GEORGE SPATTA

President, Clark Equipment Company

George Spatta

The Clark Equipment Company will achieve an all-time high in employment, volume of sales and profits for 1955 and we expect to duplicate this record in 1956. We are engaged in three activities; components for highway trucks, the manufacture and merchandising of lift trucks, and the manufacture and merchandising of road-building equipment. We expect all of these activities to continue at a high level in the foreseeable future, and I would predict general good business for the country as a whole.

PHILIP SPORN

President, American Gas and Electric Service Corp.

In the face of many 1955 record-breakng performances by the country's economy as a whole and by the electric utility industry, it would not be unnatural for 1956 to be a year of average or even subaverage activity and results, electric-utility-wise. That present indications are to the contrary is due to a number of basic reasons:

Philip Sporn

First, 1956 promises to be a good business year — in fact, over-all, a better year than 1955. Business activity should continue to increase throughout the first half of 1956, although at a lower rate of rise than 1955, followed, perhaps, during the second half, by a leveling off or even a slight dip in business tempo.

Second, although the industry added the staggering total of 12½ million kilowatts of new generating capacity during the year, an increase of 11.6% over 1954, its amazing increase of 16.6% in sales, brought about a reduction, in spite of the large increase in new generating capacity, in the reserve or margin between generating capability and peak demand from the 1954 figure of 21.2% to 20.8% at the end of 1955.

Third, there are basic elements in the present long-term trend of the national economy which have an inertia effect, tending to pull the electric demand forward in spite of hesitations in the economic cycle. One of these is population: Our population is increasing at an all-time rapid rate; new and larger families are being formed, creating continued demands for new housing. And there has been no slowdown in the requirement—indeed the demand—by these new and by existing families for a continually improving standard of living. This means growth in the per capita use of electric energy in industry and growth in the per capita use of energy in the home and on the farm. These latter residential and farm loads will continue in 1956, as they have in other years, to constantly grow—giving us a firm base only mildly responsive to adverse economic conditions. The year 1956 will mark the return to the normal trend of residential sales assuming an increasing portion of total energy sales each year, a trend only apparently interrupted in the past three years by the extraordinary energy requirements of the United States Atomic Energy Commission.

Finally, even in industrial energy sales, which are sensitive to changes in economic activity, the dip in sales normally resulting from any leveling off or lag in the industrial output will, in 1956, be cushioned to a considerable extent by new industries and enterprises which will be brought into service as a result of 1955 expansion programs. Percentage-wise, gains made in industrial energy sales in 1956 will begin to appear more nearly in their true guise, because the very heavy growth in demands for large blocks of power for Atomic Energy Commission needs will prove to have become almost completely stabilized during the last quarter of 1955, and the marked statistical distortion thus injected will be removed.

For all the above reasons, 1956 offers every indication that the electric utility industry will exceed its 1955 highs in sales and generation of energy and will forge ahead to new levels of capability and strength to meet its challenges and responsibilities in our expanding economy. Capital-expenditure-wise, since expansion of utility plants and equipment must be planned on the basis of expected load growth and authorized two to three years before commercial service, capital expenditures will be heavy. The exceptional and, to a certain degree, unexpected extent of 1955's growth in demand cut into industry's margins of generating capability and physical plant to a greater extent than anticipated. Thus, to maintain adequate reserves, in the face of the rising demands that analysis of the country's economic projected growth leads them to expect in the next few years, the utility companies have budgeted a record $2.9 billion for expansion of generation, transmission, and distribution facilities, to be spent in 1956. Of this amount a substantially heavier than pro-rata portion will take place, and will contribute to bolster the economy, in the latter half of 1956.

For the American Gas and Electric System, the stimulus of the major economic factors, trends, and developments prevalent throughout the country made 1955 a year of unparalleled activity and progress. At no time since the System's formation has as much activity involving industrial expansion and location of new industry in the AGE territory taken place. Of tremendous long-term economic significance to the entire Ohio River Valley, as well as the AGE System, were two recent announcements: First, by the Kaiser Aluminum and Chemical Company to establish a major aluminum reduction plant at Ravenswood, W. Va.; and then, that of the Olin Mathieson Company to build a new, completely integrated, aluminum development near Cresap, W. Va.; both operations to be based on coal-fired electric energy from the AGE System.

These loads, augmented by expectations of mounting residential, commercial, and other industrial sales resulting from intensified load-building efforts, the new population and enterprises to be attracted by these industrial developments, will require the AGE System to institute in 1956 an unprecedented three-year expansion program for the addition of 1,700,000 kilowatts of new generating capacity. Such a heavy program of expansion has never before been undertaken in the 75 years' history of the electric utility industry by any private power group except Ohio Valley Electric Corporation (OVEC). Of the 1,700,000 kilowatts being undertaken by the AGE System, 575,000 kilowatts will be brought into service in 1956; 450,000 kilowatts in 1957; and 675,000 kilowatts in 1958. Included in the 1956 capacity of 575,000 kilowatts will be the world's first supercritical steam-electric generating unit, at Philo, Ohio, designed to operate at a steam pressure of 4,500 pounds per square inch, with initial temperature of 1,100°F and double reheat temperatures of 1,050°F and 1,000°F. This unit will, it is expected, attain the record-breaking thermal efficiency of close to 40%.

KENNETH A. SPENCER

President, Spencer Chemical Company

The year of 1956 will be an extremely interesting one from many points of view. As in the case of all election years, business will feel the impact of stepped-up political activity—the struggle to support a greater defense budget, support the farmer; expand the road and school program, and at the same time balance the budget and reduce taxes, will be very much in the limelight.

Kenneth A. Spencer

Nineteen fifty-six will start on a high plateau of basic strength in our domestic economy and a sound stimulus for future growth. During the last year there has been an increasing awareness of the tremendous demand for goods and services which lies before us in the next 10 to 15 years. There is a wide variation in the degree to which various industries have recognized and anticipated this demand. In those segments of industry where capacities have already been substantially expanded as in the nitrogen industry, the coming year will be extremely competitive with some over-supply. Even in these cases, however, basic stability is provided by the fact that continued growth and demand will, in a period of years, consume the new supply which has been recently constructed.

In other industries, of which the coal industry is an excellent example, the change in trend will be rather conspicuous. The substantially increased requirements of fuel for electric generation are making themselves felt. Demand is shifting from one of short-term or spot purchases at depressed prices to an attempt to assure supply by long-term contracts at fair and reasonable prices. Certainly the outlook for the coal industry is better than it has been for quite a number of years.

The composite result of all these factors througnout the economy should be another good year in 1956.

JULIAN K. SPRAGUE

President, Sprague Electric Company

Despite a slight further drop in military electronic procurement, total sales of the electronics industry at factory prices in 1955 reached a new high of about $5.4 billion, compared to $5.0 billion in 1954 and the previous peak of $5.2 billion in 1953. Chief contributor to this gain was a $300 million increase in radio-television and other home entertainment products to a total of $1.7 billion, but the sharpest percentage gains were in sales of industrial and commercial electronics, which rose from $550 million in 1954 to $650 million, and of replacement parts, which went from $550 million to $700 million.

Julian K. Sprague

Production of about 7.7 million television sets in 1955 represented a new high in units, and their dollar value was also somewhat greater than in the preceding year because of a shift in demand toward the larger and more costly models. Although less widely publicized than television, radio also had a very good year, with total production mounting to nearly 14 million units compared to 10 million in 1954; much of this increase was attributable to very strong demand for auto radios. Although retail sales of television in the late fall months did not come up to the peak levels of late 1954, demand was characterized by remarkable stability throughout the year. The television business remains strong currently, especially the replacement market, but because of the very high total production and sales attained in 1955, indications are that some contraction may occur in 1956. My guess is that set production might decline as much as 10% to 7.0 million black-and-white sets, and that radio production might drop from 14 to about 12 million units.

The total size of the entertainment market in 1956 will depend to some extent upon whether a substantial volume of color TV sets is produced. The development of color is about a year behind the estimated timetables of a year ago, when it was thought that several hundred thousand sets might be made in 1955; probably not more than 50,000 color sets were actually turned out, and a figure of two to three hundred thousand now appears to be the most optimistic guess possible for 1956. Since serious technical problems must still be overcome before color TV becomes economically feasible, it seems probable that mass production will not start before 1957 at the earliest.

Although procurement of electronic equipment for defense showed a modest drop to $2.4 billion in 1955 from $2.5 billion the preceding year, the electronics industry probably increased slightly its share of total military procurement, attracting nearly 20% of contract awards by the Department of Defense for the fiscal year 1955. Furthermore, since the rate of awards fell somewhat behind the appropriation rate in 1955, a gain in electronics contracting of about 10% in the current fiscal year is probable. How much of this will be translated into actual deliveries is, of course, uncertain, but it appears likely that a level of $2.5-$2.6 billion may be attained. The proportion of defense spending for electronics should continue to increase in 1956 and beyond, reflecting many dramatic developments in the field of complex weapons systems, early-warning defense installations, and guided missiles. For example, expenditures for missiles alone increased more than 40%, from $529 million in fiscal 1955 to $756 million this year, and preliminary estimates indicate a level of $1 billion in fiscal 1957. It is of interest that generally more than one-half the cost of a guided missile represents electronic equipment.

Markets for electronics in industrial and commercial applications are expanding at the rate of about 20% per year, and recent estimates indicate that this portion of our business may double in size by 1960. Strong continued growth in the demand for replacement parts is also to be expected.

In view of the increasing use of complicated electronic devices in both military and industrial applications, every facet of our industry is faced with the problem of creating new and better materials, components and functional assemblies, and of achieving a much higher reliability in their design. For the parts manufacturer like Sprague Electric Company, this means that as equipment gets more complex the degree of reliability must increase as an exponential curve, for greater complexity means a greater incidence of use of components and unless still greater complexity is added by parallel circuits, the failure of a single part can mean the failure of an entire system. Moreover, the trend toward automation in the assembly of end equipment in the electronics industry, as in other industries constitutes another challenge, and many new functional components such as semi-conductors, magnetic pulse-handling devices, etc., are affecting the design of electronic equipment of all types. In my opinion, all of these things combine to make the present a period of greater change than our industry has ever witnessed in its 50-year history.

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LAWRENCE F. STERN

Chairman, American National Bank and Trust Company of Chicago

Lawrence F. Stern

Whether one can predict with accuracy the course of business for a full year ahead in an economy as complex as ours is open to question. This is especially true now, following the excellent business of recent years which has been interrupted only briefly by minor setbacks. Certainly at these high levels of production the needs of business and consumers must be much closer to being adequately satisfied.

Statements recently released by the presidents of two of the larger automobile companies are quite definite in predicting production this year at somewhat lower levels than in 1955. The drop off in home building starts late in the past year seem to forecast less satisfactory business in this field in the year ahead. Since automobiles and housing have played such important roles in the business boom, these changes may be significant. This is especially true since these industries affect many others which supply them with parts and raw materials. Their large payrolls likewise are important contributors to consumer buying power.

The tremendous growth in the volume of consumer credit outstanding in the past 12 months, the tightness of money and indications of an inadequate supply of money to finance increased business activity at the 1955 rate, the cautious attitude of the Federal Reserve System as tangibly illustrated by its increases in the discount rate and its public expression of concern over rising prices, are at least significant enough to lend credence to the belief that while business this year will be good, it will be hard pressed to equal or exceed the last several months.

With the exceptions already noted, business was very good in the final quarter of last year. Steel production was at capacity levels and the industry had enough forward orders to assure a high rate of production well into the first half of this year. While housing starts fell off there were enough building contracts let by industry and by the Government to indicate that total expenditures for new construction are still very good. In fact, it is possible that business outlays for new plant and equipment this year will exceed those of 1955.

Personal income is still very high and should be in the months ahead. Some of the overtime work in the automobile industry has been cut back but so far this has affected the general wage picture very little. As a result retail sales have been good and should show a moderate increase in the months ahead. Other business yardsticks such as railroad carloadings, electric power production, etc., are still good.

On the other hand, the situation in the rural areas remains unsatisfactory and conservative predictions indicate a further drop in farm income of 4 to 5%. In an election year this has added significance but the amount of the decline is considerably smaller than in recent years and in the whole economic picture should not be too distrubing.

In summary, there are many things to be optimistic about this year, but there are, for the first time in over a year, signs of an easing in some segments of business that should temper our thinking.

HERMAN W. STEINKRAUS

President and Chairman, Bridgeport Brass Company Former President, U. S. Chamber of Commerce

H. W. Steinkraus

We look forward to 1956 with confidence that it has the potentialities of being the best year in our 90-year history. There were some problems we encountered in our business during 1955 which we hope will be somewhat less troublesome in 1956. I refer particularly to the problems of supply of our basic materials: copper and aluminum. There were times during the past year when because of strikes here and abroad and the increased demand for these materials the world over, there was caused an interruption of production and uncertainties which interfered with dependable scheduling of our customers' requirements.

I believe that present good business conditions will extend through 1956 because of a number of very important factors, with perhaps the two most important being a stabilized economy and a record high employment to start us off on the new year. Our economy is not based upon a combination of heavy military expenditures, fear of inflation or high inventory accumulation. These are factors which in the past have at times been the cause of booms followed by sharp declines.

There is full employment throughout the country at wage schedules that are the highest in the history of American business and enterprise. There are more than 65 million Americans working steadily at their jobs and there should be a continuing consumer demand for the products of our mills and factories.

It is interesting to note that the American people as a whole are more quality conscious today than ever before and this has resulted in a demand for better homes, better cars, better appliances — all of which require better materials and better workmanship.

Fortunately the fiscal and monetary policies of our Government are being used to check unreasonable extensions of credit thereby tending to level down the heavy pressure on our economy by restricting unwise expansion.

As for our own company, some of the major developments which required heavy expenditures during the past two years are reaching increasingly profitable operation.

Capital expenditures for improving efficiency and increasing capacity during the past year and continuing into 1956 should improve our operations considerably.

Thus, if a stable copper market can be developed and the increasing sources of copper and aluminium permit a higher rate of production of our mill products, 1956 ought to be a good year for us and all other conditions being parallel, a good year for the country.

JAMES STEWART

President, The Canadian Bank of Commerce, Toronto, Ontario, Can.

James Stewart

Canada marked up new records in most segments of her economy in 1955. Despite a slow start in the first quarter, Gross National Product was at a seasonally adjusted rate of $26.9 billion by the third quarter and is now estimated to have risen about 10% for the year as a whole, or to almost $26½ billion. As there was no significant change in the general level of prices, this indicates a comparable increase in the volume of business as compared with 1954.

A high level of foreign trade, with good gains in primary and partly-processed goods, plus a lively domestic demand for consumers and producers goods, lifted the volume of industrial production by about 8%. Agricultural production was generally high and included a bumper wheat crop of about half a billion bushels. New capital investment seems likely to have exceeded $6 billion, a new record made possible by an expanded housing program and increases in practically all other categories.

Canada is not without its economic problems, however. The chief of these is undoubtedly the disposal of its large wheat surplus. Certain branches of industry also failed to share in the general prosperity, including the implement trade, textiles and coal-mining in some areas.

The momentum of 1955 seems likely to carry well into 1956, though the usual seasonal influences will of course be at work during the winter quarter. While the economy enters the year in a much more buoyant condition than was the case a year ago, the monetary policy of the Bank of Canada, resulting in a general tightening of credit, is expected to curb any over-extension.

Many sections have experienced an early and severe winter to date, which may affect unfavorably employment in the industries most susceptible to seasonal influences. But apart from this, the prospects for the basic factors — new capital investment, consumer expenditures and foreign trade—seem bright.

New capital investment has as backlog a considerable volume of construction and other outlays carried over from 1955, including 78,000 housing units and a very considerable volume of engineering and resource development projects. The tighter money policy may be expected to effect some reduction in housing starts, but new capital projects already announced, together with those under way, would seem to indicate another year of high outlay for capital investment purposes.

With labor income recording regular monthly increases over the previous year, and a high degree of confidence in its continuation contributing the necessary psychological fillip, consumer expenditures might be expected to continue their advance, though a restriction of con-

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AMERICAN & FOREIGN POWER COMPANY INC.

TWO RECTOR STREET, NEW YORK 6, NEW YORK

Notice to All Holders of Unsurrendered Stock Certificates for Preferred Stock ($7), $6 Preferred Stock, Second Preferred Stock, Series A ($7), and Common Stock (old) of
AMERICAN & FOREIGN POWER COMPANY INC.:

On February 29, 1952 the Plan of Reorganization (Plan) of American & Foreign Power Company Inc. (Foreign Power), pursuant to Section 11 (e) of the Public Utility Holding Company Act of 1935, became effective.

Pursuant to the Plan, all rights of all holders of the Common Stock (old) and of the Preferred Stock ($7), $6 Preferred Stock and Second Preferred Stock, Series A ($7), including the right to all accumulated and unpaid dividends on such Preferred Stocks, have been revoked, abrogated and cancelled except such holders' rights to receive, subject to the terms of the Plan and within the time limit therein provided, the new securities of Foreign Power allotted to them by the Plan and such other rights of such holders as are specified in the Plan.

Holders of certificates for such Preferred Stocks and for such Common Stock (old) who surrender same prior to the expiration of six (6) years from February 29, 1952, to the Exchange Agent appointed under the Plan, will receive in exchange the new securities of Foreign Power and the cash (if any) to which they are entitled under the Plan.

Notice is hereby given that the Plan provides that no stockholder of Foreign Power who shall fail to claim the securities or the cash to which he is entitled pursuant to the terms of the Plan prior to the expiration of six (6) years following February 29, 1952 shall be entitled to receive any part of said securities or the proceeds thereof or any other cash to which such stockholder may have been entitled under the Plan.

Copies of the form of Letter of Transmittal which must accompany certificates representing stocks when surrendered and other material relating to the Plan may be obtained from Bankers Trust Company, Exchange Agent, Corporate Trust Department, 46 Wall Street, New York 15, New York, or from the Company.

Upon exchange, holders are entitled to receive dividends upon the new Common Stock heretofore paid as follows:

- 10¢ per share in cash plus one share for each 100 shares of the new Common Stock, on December 5, 1952.
- 15¢ per share on the 10th of March, June, September and December, 1953.
- 15¢ per share on the 10th of March, June, September and December, 1954, plus a year-end dividend of 15¢ per share paid December 10, 1954.
- 15¢ per share on the 10th of March and June and on the 9th of September and December, 1955, plus a year-end dividend of 15¢ per share paid December 9, 1955.

Dated: New York, New York, January 19, 1956.

AMERICAN & FOREIGN POWER COMPANY INC.
By HENRY B. SARGENT, *President*

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sumer credit might cause the rate of increase to level off somewhat.

Exports seem likely to continue at a high level with the major emphasis on the commodities most in demand last year, that is, base metals, iron ore and newsprint. The buoyancy of the economy in the aggregate should tend to sustain the weaker sectors, some of which have recently shown signs of improvement, and if productivity and population increase at a rate approximating that of recent years we may hope for a Gross National Product in 1956 in excess of $26¾ billion.

HON. ARTHUR E. SUMMERFIELD

U. S. Postmaster General

In the 10-year period since the end of World War II, the yearly deficits of the Post Office Department, totaling nearly $5 billion, have been contributing factors to the Nation's unbalanced Federal budgets. These deficit operations of the Post Office Department have been largely responsible for two problems requiring urgent attention and solution if the American people are to continue to receive the mail service they deserve and expect.

A. E. Summerfield

The physical plant of the Post Office Department is obsolete and inadequate. Many new buildings and the modernization of present ones are essential if we are to have good mail service.

To correct these conditions will take time and money. We can not continue to ignore these needs, which grow increasingly worse, while the volume of mail increases at the rate of about 5% a year. The second and more serious problem concerns the fiscal plight of the Post Office Dept.

Despite the efficiencies and economies of the past three years, the Post Office Department now faces a yearly deficit of about $500 million. Nearly $200 million of this huge sum is the cost of the recently deserved pay raises and other employee benefits.

Basically, the failure to operate the Post Office Department on a more nearly break-even basis is due to the fact that postage rates today are essentially the same as they were in 1932. Meanwhile, the cost of nearly everything the Department buys or uses has more than doubled, as have most household or business expenses.

That is why we are recommending moderate increases in postage rates on First, Second, and Third-Class mail to Congress.

We believe Congress and the American people appreciate the need for reasonable rate increases so that their Post Office Department may improve its services and facilities and operate on a self-supporting basis as do the postal establishments of most major nations. Our neighbor, Canada, for example, has shown losses in only three of the past 20 years, with an over-all surplus for these two decades of $89,523,932.

If these rate increases are granted, we can complete the job the Post Office Department set out to accomplish three years ago—provide better service—lower costs—reduce the postal deficit—and operate on a break-even basis.

Then the Post Office Department can provide the most efficient service possible to meet the constantly expanding needs of our dynamic economy.

NORMAN R. SUTHERLAND

President and General Manager, Pacific Gas and Electric Company

Pacific Gas and Electric Company is scheduling new construction with confidence in a sustained high level of business activity in Northern and Central California during 1956. We are preparing to serve increased demands for natural gas and electricity which will result from the continued rapid growth of population, the general advance of business and rising per capita consumption of energy.

N. R. Sutherland

We expect further active industrial development to take place in our service territory during 1956. Our growing population creates markets to support such development, and we have favorable plant sites, good transportation, abundant low cost power and fuel, skilled labor and all other requirements for industrial expansion. We plan this year to intensify the company's continuing efforts to help attract new industry to Northern and Central California.

A milestone during 1955 was the connection of the three-millionth customer meter to our lines. As a measure of our rate of growth, this event followed installation of our two-millionth customer meter by only eight years. In the past 12 months we have added about 135,000 new gas and electric customers, the best gain in any of the postwar years.

Last Aug. 3 we reached a new all-time peak electric power demand of 3,788,700 kilowatts. Our electric energy sales and deliveries to others for 1955 amount to about 18 billion kilowatt hours, a gain of about 12% over 1954. Sales of gas to customers total approximately 285 billion cubic feet, about 17% greater than in 1954. The gain in natural gas sales was influenced in part by colder than normal weather which prevailed in our territory during much of the year.

Our expenditures on new construction to provide additional gas, electric and other facilities will amount to nearly $130 million in 1956. This will bring our construction expenditures in 11 postwar years to more than $1.6 billion.

For additional gas capacity we plan to begin a $20,686,000 expansion of our Super Inch natural gas main, which extends from the California-Arizona border to San Francisco Bay. This expansion will increase our present daily volume of 700 million cubic feet of natural gas imported from out-of-state by 25%. The increase will take place in four stages, beginning with an additional 50 million cubic feet a day by Nov. 1, 1956. The total increase of 175 million cubic feet of gas a day will be effected by Jan. 1, 1959. Facilities necessary to carry out this program will include a total of 150 miles of 34-inch pipeline and an increase in compressor capacity.

In addition we are encouraging drilling in California by providing a market for newly-discovered natural gas in our operating territory. The new Beehive Bend and Princeton fields in the Sacramento Valley were connected to our lines in 1955.

Our electric generating capacity now exceeds 4,300,000 kilowatts. Major additions during 1955 included the first 165,000-kilowatt unit at Morro Bay Steam Plant and the 95,000-kilowatt Pit 4 hydroelectric plant in Shasta County. During 1956 we will place in service a second Morro Bay unit of the same capacity and the 50,000-kilowatt Humboldt Bay Steam Plant.

We must complete new generating capacity on approximately this scale each year for at least the next few years to maintain our reserves and have capacity to serve the large annual increases in demand now developing on our system. We are building now to meet demands we expect to arise several years from now.

Construction in progress includes hydroelectric projects on the Kings and Feather Rivers which will develop a total of 367,500 kilowatts of generating capacity, and we have a license for further development of 258,000 kilowatts on the upper North Fork Feather River. In addition, we plan in 1956 to start construction of a fourth steam-operated generating unit of 165,000-kilowatts capacity at Station P Steam Plant, San Francisco. The aggregate cost of these hydroelectric and steam-electric projects under construction, authorized or planned, including the associated transmission outlets, will be about $245 million.

A significant development of the past year was the start of the detailed design of a nuclear-electric power plant of 180,000-kilowatts capacity to be built near Chicago by 1960 for the Commonwealth Edison Company. Pacific Gas and Electric Company is one of a small group of companies associated in engineering and financing the project. Although Commonwealth will own and operate the plant, all the participants will benefit through the technical information and experience gained. The designing of this plant is being carried on here in California, at San Jose, by the General Electric Company, as contractor, and personnel of PG&E and other participants

CHARLES A. TAYLOR

President, The Life Insurance Company of Virginia, Richmond, Va.

Life insurance sales in 1956 will start at a high level but whether or not we can exceed last year's record breaking total over the whole year is more uncertain. The boom has been in progress a long time and it is not unreasonable to expect some leveling off or even decline. All elements of the economy have not shared fully in the boom and there are now, as always, some clouds to be seen. But believing that generally steady employment at high levels of pay will prevail in 1956, our agency forces should be able to turn in another excellent year—about the same as 1955.

Charles A. Taylor

Opportunties for new investments should be available at good rates of return and investment commitments already made will fill a large part of 1956 investment needs. The outlook for 1956 is favorable.

GLENN W. THOMPSON

President and Chairman, Arvin Industries, Inc.

Many dependable signs point to further improvement in business in the United States during 1956. For the nation as a whole the positive factors are many, the negative factors are few. Capital expenditures for plant, machinery and equipment during the first quarter are expected to be at an annual rate 12% higher than in 1955. Measured by our standards of a few years ago, new housing starts will be phenomenal, although due to credit restrictions they probably will be lower than in 1955. An ever-increasing population and accelerated formation of new families create new wants to be filled by the nation's factories. Most important, America's families have money and they indicate they intend to continue to spend it for those things which will make for better living.

Glenn W. Thompson

Research and advanced engineering will play a more important role in 1956 than ever before. Time was when only the industrial giants could afford to devote the time, energy and money to develop new products for marketing two, five or ten years in the future. Now, middle-sized and, in fact, smaller manufacturing concerns realize not only the desirability but the absolute necessity of continued and intelligent research. As a result, in 1956, more millions than ever before will be devoted to this activity.

Our company's operations are in three major industries—automotive parts and equipment, metal furniture, and electronics and small home appliances. The motor car industry long has been a powerful and influential force in our national economy. Frequently it has led the way to higher and more prosperous plateaus. Today its plans are all but complete for lines of revolutionary new automobiles to be introduced in the third quarter, somewhat earlier than usual. Already suppliers to the motor car manufacturers are feeling the impact of orders for tools, materials and components. By mid-year these should represent a vast volume of business which will have a widespread influence over the country.

The continued improvement in appearance and performance of radios contributes to the persistent and steady demand for home receivers. More and more the average American family is becoming aware of the advantages of having table model sets located in various rooms of the house. Popularity of portables remains high as people insist on having news, entertainment and education while away from home. Transistorized receivers, bearing lower price tags than heretofore, should stimulate radio sales importantly in 1956.

Three factors contribute to the vast and continuing market for articles for the home. They are: (a) the high marriage rate with the consequent establishment of new households; (b) the discovery by millions of Americans of the pleasures of outdoor or patio living; (c) the ever-increasing number of working wives who in order properly to maintain their homes require more and more appliances for quick and easy dispatch of their household chores. These recent developments in the pattern of national living offer big opportunities for those who manufacture dinette sets, outdoor furniture and small appliances as well as many other similar articles.

While predictions for 1956 are almost unanimously optimistic, perhaps someone should sound a note of warning. Prosperity in the new year is by no means **guaranteed.** There is a danger that businessmen may be lulled into a complacency that could have disappointing results. The wise manufacturer in 1956 will regard it as his primary responsibility to work just as hard and just as intelligently as he did, say, in 1954. He will bring out new and improved products of high quality, he will continue to control costs as he did in less prosperous times. Above all else he will keep everlastingly in his mind the fact that the customer is king and that the buying public must again be wooed and won with each new day. To accomplish this, he will seek out through marketing research, the wants of American families and will attempt to fill these needs at prices which will attract and hold customers.

GEORGE F. THURBER

President, The Second National Bank of Nashua, New Hampshire

Banking has concluded another constructive and profitable year. The quality of assets is excellent and deposits are high. Earnings prospects are bright, because the increasing higher interest rates during the latter part of 1955 will result in higher earnings for 1956.

Geo. F. Thurber

Bankers will not be without problems in 1956. While the outlook is certain for high levels of loan demand and higher rates of interest, competition for savings deposits will be greater and expenses higher. Higher ratios of loans to deposits will reduce liquidity as will longer terms and higher ratios of loans to value on real estate and equipment mortgages. Lack of liquidity has been a cause of concern during periods of stress in banking history, even to solvent financial institutions.

Any forecast for banking in 1956 must recognize that the boom is topping out, particularly in fields that have been responsible for much of the recent prosperity. During 1954 and 1955 we have had high levels of automobile production, construction activities and common stock prices.

Production of passenger automobiles during 1955 is estimated at 7,941,000 units, up from 5,509,000 in 1954. Intelligent manufacturers forecast a decline of 12% in production for 1956, which may be greater, due to the problems of distribution created by huge inventories of used cars. Greater price concessions may be necessary to sell new and used cars.

Residential construction activity will decline from present high levels because of higher material costs, higher interest costs and reduced amounts of long-term mortgage money. However, high levels of financing will continue for construction of factories, schools, hospitals and roads, as well as for consumer credit and inventory financing.

High levels of common stock prices are due for a set-back. The Dow-Jones Industrial Average, which was at $255.49 in Sept. 14, 1953, reached its all-time high during the last few days of 1955 and closed Dec. 30, 1955 at $488.40. In addition to the high price level, the comparison of common stock yields to corporate bond yields indicates that a change may be in the offing. A drop in common stock prices somewhat along the lines experienced during 1937 seems indicated.

Election year will generate wider fluctuations in busi-

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ness confidence and perhaps business activity, but of greater importance to the outlook for 1956 are the credit and financial policies of the Federal Reserve System and the Administration. Whereas, during 1954, policies were aimed at increasing the money supply to combat deflation, the problem during 1955 has been to restrict the use of credit in order to prevent inflation. For 1956 continuing emphasis will be on restricting the use of credit because demands for financing will exceed the supply of available funds.

A very tight money market is in prospect. The Federal Reserve System will provide some additional funds as they are necessary. A reduction in member bank reserve requirements would be more effective and reasonable than a change in the rediscount rate or the use of open market operations.

MILTON TOOTLE

President, The Tootle National Bank, Saint Joseph, Mo.

Our bank serves Northwest Missouri, Southwest Iowa, a good portion of the Northern half of Kansas and the Southern half of Nebraska.

Milton Tootle

In our analysis of this area, we believe business is good and the outlook for 1956 is promising with one exception and that is in the livestock industry. While drought conditions the past summer were severe, crop yields were better than we expected. In the livestock industry, conditions are entirely different due to over-production in both pork and beef. As you no doubt know, we carry excess livestock paper for many of our bank correspondents and the prices being received are steadily downward and in instances the feeder is lucky to come out with the original cost of his livestock.

In analyzing this condition in the over-production of livestock, the outlook for 1956 is discouraging. It is reflected in balances carried with us by our bank correspondents in livestock feeding areas.

We would feel quite optimistic about 1956 if, in some way, the livestock situation above mentioned could be corrected.

WALTER J. TUOHY

President, The Chesapeake and Ohio Railway Company

As 1955 comes to a satisfactory close, the outlook for the railroads is bright. Strengthened by better earnings, the industry is embarked on a brand new period of progress that may well outstrip everything accomplished so laboriously in the past. It might be said that full advantage of their opportunities was not taken by the railroads during the "transportation revolution" which occurred "within the short span of one generation," as President Eisenhower's Advisory Committee on Transport Policy and Organization so aptly put it eight months ago. But today, things are different.

Walter J. Tuohy

Problems exist for the railroads, but the challenge has been accepted, and a problem recognized is half solved. Customer service and satisfaction, shippers' needs and general public acceptance are recognized needs. Courtesy, improved and dependable passenger and freight schedules and advanced community relations are industry by-words today.

Revolutionary types of lightweight passenger equipment are one indication of railroad progress. At least five different types of such trains are now newly on the rails or soon will be. The railroads are engaged in the largest freight car acquisition program in 30 years to meet the expanding volume of business. "Piggy-backing," the transporting of truck trailer by railroad flat car, and other innovations are signs of dynamic progress.

Understanding and cooperation have grown between the rail brotherhoods and managements in working projects to advance the industry's general welfare. Management and labor as a friendly team have produced the highest standard of living the world has ever known and the most solid democracy. That shoulder-to-shoulder attitude can help advance progressive railroading.

Also contributing is a new atmosphere in the activities and attitudes of government regulatory bodies toward the rail common carriers. This changed thinking is indeed welcomed by the railroad industry.

For the Chesapeake and Ohio, 1955 produced new highs in earnings, operating revenues and financial position. Net income per share at $7.25 was up 45% from the year before. Although merchandise traffic revenues were a record, coal revenues, reflecting a one-third increase in tonnage moved, contributed 54% of total operating revenues. It was a record year in almost every way, and the outlook is for 1956 to be at least as good, and probably better.

Since coal constitutes almost one-fourth of the total tonnage the railroads carry, coal's resurgence in 1955 was particularly gratifying. Production was up 20%, export up 100% from the year before, and the line continues upward. One year ago this message stated, "The bottom has been reached in coal's decline." Time has proved this so. Now coal is on the way up, and with constantly increasing quantities of it needed for steel, electric power, chemical production and world markets, new heights are foreseeable.

It has been said that the greater part of progress is the desire to progress. Spurred by this desire, the railroads are on their way to filling more effectively than ever before their indispensable role in the nation's economy.

Continued on page 122

LOS ANGELES STOCK EXCHANGE

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Use the Los Angeles Stock Exchange . .

OFFERING AN ADDITIONAL TWO HOURS TRADING TIME

NASD District No. 11 Elects Officers

WASHINGTON, D. C.—District No. 11 of the National Association of Securities Dealers, Inc. announces the election of J. Wilmer Butler, Baker, Watts & Co., Baltimore, Md.; Robert B. Dixon, McDaniel Lewis & Co., Greensboro, N. C.; Ludwell A. Strader, Strader, Taylor & Co., Inc., Lynchburg, Va., and J. Nathan McCarley, Jr., McCarley & Co., Asheville, N. C., to the District Committee, representing the securities industry in this area for a term of three years to fill the vacancies created by the expiration of the terms of: F. Grainger Marburg, Alex. Brown & Sons, Baltimore, Md.; Glenn E. Anderson, Carolina Securities Corp., Raleigh, N. C.; Edwin B. Horner, Scott, Horner & Mason, Lynchburg, Va., and W. Olin Nisbet, Jr., Interstate Securities Corp., Charlotte, N. C.

At a meeting of the Committee held Jan. 11, 1956, the following officers were elected:

Chairman, Joseph J. Muldowney, Scott & Stringfellow, Richmond, Virginia.

Vice-Chairman, Joseph P. Kreeger, Jones, Kreeger & Hewitt, Washington, D. C.

Mr. Muldowney takes office as Chairman succeeding Arthur L. Baney, E. R. Jones & Co., Baltimore. L. Victor Seested 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 & Co., Richmond, Va.

With W. D. Gradison

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Raymond T. Timmerman is now with W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges. Mr. Timmerman was previously with Nelson Browning & Company.

OG&E Power Helps to Pace Progress in The Growing Great Southwest

New people, new businesses and new industries continue to wheel steadily our way and we continue to meet all their electric power requirements, always on time with plenty. Our 10 year gains well tell the story:

	1955	1945	Increase
Operating Revenues	$44,045,600	$17,895,800	$26,149,800
Customers Served	314,363	195,905	118,458
% Net Income to Gross Revenues	19.0	13.3	5.7
Electric Plant in Service	$202,360,000	$70,494,000	$313,866,000

OKLAHOMA GAS AND ELECTRIC COMPANY

47 consecutive years of paying common stock dividends

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DONALD S. KENNEDY, *President*

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Federal Reserve Bank of St. Louis

Continued from page 121

RAYMOND H. TROTT

President, Rhode Island Hospital Trust Company, Providence, R. I.

The trend of business in 1956 seems more likely to be determined by the policies and practices of the Federal Reserve than by the predictions and plans of businessmen. There is no denying that the business boom has reached a dangerously high level. By and large industries are operating at capacity, shortages of manpower and of basic raw materials are appearing, gray and black markets are developing and the resultant advance since last July in the Labor Bureau's Index of commodities other than farm products and foods is the most ominous inflationary development since the Korean War inflation ended nearly five years ago with the "accord" between the Federal Reserve and the Treasury.

Raymond H. Trott

The Federal Reserve has recognized the dangers in this situation and for a year has been acting to curb the boom. However, it has been so fearful of damaging confidence, of "upsetting the apple cart," that it has been very gentle in administering its restrictions. The rediscount rate has been advanced in small steps of ¼% and the banks have been supplied with reserves at times of seasonal needs in order to prevent any serious shock to the economy.

The present question is whether Federal can attain its goal with such gentle tactics. There are as yet few signs of a slowing down in the expansion of industrial production except perhaps in the automobile and residential building industries, and hugh backlogs in aircraft, freight car, business machines, machine tools, and other industries may offset any weakening in automobiles and building. Confidence is still high and businessmen are planning further huge capital expenditures which will call for more of the scarce raw materials.

Obviously the Federal Reserve Board would like to see these expenditures postponed to a time when they might be needed to support declining production. Consequently, there seems no reason to believe that it will reverse its restrictive policy until the dangers of an inflationary boom have passed. Federal stopped the boom in 1953 by adopting drastic methods; it is trying to stop it this time without sending long Treasury bonds below 90. It may succeed or it may have to adopt more rugged tactics to accomplish its purpose; but I think that sooner or later it will bring the current inflationary cycle to an end. Whether the end will come before or after mid-year or whether the subsequent decline will be gentle or sharp are questions which cannot now be answered.

G. W. VAN DERZEE

President, Wisconsin Electric Power Company

At Wisconsin Electric Power Company, we look forward to 1956 with reasonable confidence that our operations will result in the same kind of sound and steady progress that has always characterized the economy of the area we serve—an area marked with good balance between farms, small communities and a number of more heavily-populated industrial centers with their broad diversification of manufacturing activity.

Gould W. Van Derzee

We have great faith in the future of Wisconsin and are backing our judgment with large expenditures to meet our continuing and growing service obligations. Our confidence in the years ahead was well demonstrated in 1955 when we spent approximately $40,000,000 for gross additions to our electric, gas and heating utility plants. We made a good start on our current three-year $100,000,000 construction program designed to improve and augment the generating, transmission and distribution facilities needed to supply the continually increasing service demands of well over half a million electric customers.

Our 1955 construction program was highlighted in December when a third 120,000 kilowatt generating unit was placed in service at Oak Creek, the newest and most modern of our seven steam-electric generating plants. With the completion of a third unit at Oak Creek, the dependable generating capacity of the Wisconsin Electric Power Company system has now reached 1,252,610 kilowatts.

Even before the third Oak Creek unit was completed, work began on a fourth unit which is expected to be placed in service during the winter of 1957. When completed, the Oak Creek plant will have a capability of generating in excess of 500,000 kilowatts and will be the largest in Wisconsin.

Our current three-year construction program is only part of a larger 10-year program which extends through 1964 and contemplates an increase of approximately 90% in electrical load requirements. We are now in the process of making a careful study of the great number of problems involved in practically doubling the capacity of our present system of power plants, substations, transmission and distribution lines and equipment—and all within a 10-year period. We realize that such an undertaking presents many problems not present 10 years ago when we faced the task of doubling our facilities up to our present size.

We realize, too, that there is no good reason to believe that increased business of such proportions will come automatically, without promotional effort on our part. We look forward, in 1956, to joining other segments of the electrical industry in a campaign designed to show people how they can "Live better . . . electrically." We intend to support our growth in physical facilities by devoting money and emphasis to the job of promoting increased use of our services.

One of the problems to which we shall continue to devote considerable attention in the year ahead is the problem of overcoming the bottleneck caused by inadequate wiring in too many of today's homes. With the average home using more than twice as much electricity as 10 years ago, and looking ahead to using twice as much again 10 years from now, it is no wonder that many old-fashioned home wiring systems are literally bursting at the seams.

We have no reason to believe that 1956 will not present the same sort of opportunities for increased business as were present in 1955. We intend to take advantage of them.

NORFLEET TURNER

President, The First National Bank of Memphis, Tenn.

The outlook for the banking business in 1956 is good. The demand for loans generally is brisk with indications pointing to a continuation of this trend through at least the first six months of the new year.

Norfleet Turner

Larger loan demand has increased interest rates, the full impact of which has not yet been felt, but will manifest itself in the early months of 1956. The further development of automation in banking should tend to reduce or at least level out the ever increasing cost of operation which with higher rates should result in better profits.

Consolidations, the sale of additional capital and the plowing back of good earnings have strengthened the capital structure of banking institutions throughout the nation to a point where they are better able to serve their customers than ever before in history.

Substantial reserves have been set aside, yet much is left to be desired in the matter of more favorable treatment tax-wise in the building of additional reserves against possible losses.

Many bankers feel that caution should be exercised in the extension of long-term credits, particularly in the consumer credit field where the tendency has been to decrease materially the amount of down payment required and to increase beyond reason the maturity of the obligation.

A growing population, an expanding economy and continued full employment should result in more and more demand for bank services to the point where, we hope, the profession of banking will earn a respectable return on its stockholders' investment.

EDWIN VENNARD*

President, Middle West Service Company

The year 1956 is going to be the biggest year, in gross business, in the history of the electric utility industry. Growth is going to continue at almost the same rate it has maintained in the recent past. All classes of service —residential, commercial and industrial—will experience gains, with the largest percentage of gain in the residential class. In the industrial service, increased automation will cause a rise in the use of electricity.

Edwin Vennard

Annual load factor, the index of capacity utilization of the power company, will tend to level out. Increased summertime use because of air conditioning will result in improvement in load factor in the northern areas but will have an adverse effect in some southern areas. Because of air conditioning, the industry generally is experiencing a gradual shift from a winter peak to a summer peak.

Air conditioning will continue to grow in popularity. Already giving some power companies some concern, the huge demand for power in the summertime will hit more and more companies, taxing their capacities to the limit. Because it is a seasonal load, it costs more to service than a year-round load. For this reason some utilities may have to seek rate increases in order to meet the cost of serving the air conditioning load. Companies are striving to sell winter loads so as to balance the air conditioning.

There will be more use of the heat pump. This device provides wintertime heating in addition to year-round air conditioning. Customers using the heat pump have a more balanced load which results in better earnings to the utility. For this reason, some special consideration may be given to the heat pump user in determining the rate.

Electric utilities will spend more for distribution equipment in 1956. The cost of fuel and wages can be expected to rise. Operating efficiencies may offset this partially, but not entirely. Thus there is a slightly less favorable operating climate in sight for the utility.

In recent years, state commissions, in setting utility rates, have given increasing consideration to the present value of the utility's investment. This healthy tendency will probably continue.

More electric companies will consider pooling of generation and transmission facilities with neighboring companies for increased efficiency. This trend will be beneficial both to the utilities and the customers they serve.

The cost of money, the biggest factor in utility operation, will remain relatively steady. Utility stocks and bonds have found ready acceptance in the market; they represent a happy compromise between safety of principal and return on investment.

More utilities will take advantage of accelerated depreciation recently made available by the taxing authorities. Some unanswered questions, which bothered both utility management and state regulatory commissions, have been resolved to the point where it has become advantageous for the utility to consider this new method of depreciation accrual.

Utilities will seek further operating economies in 1956. Pooling, mentioned above, is one of these. Others are automation, responsibility accounting, and detailed operational studies. These all involve a re-examination of operating methods, aimed toward producing the best operating results for the least money.

According to present plans, some electric company atomic power plants will be completed in 1956. More are in the planning stage, and it is estimated that by 1965 10% of all *new* generating facilities will be nuclear power plants.

Utility appliance promotion efforts in 1956 will be guided by a policy of helping the customer to choose the electrical equipment best suited to help him get the most value from electricity and to make electric living a more dynamic force in his life.

No mention of sales in 1956 is complete without reference to some of the new concepts in home lighting. Home lighting developments in the last few years have made the lighting in most homes obsolete. Light for Living is the best, most attractive, and cheapest form of home decorating. It is also the most rewarding in pleasure and safety. Watch the new ideas for home lighting in 1956.

Utility public relations will show new vitality in 1956. The American people basically uphold the principle of company operations as distinguished from government operation of the utility business. The record of government in the power business has not been good. Utilities are beginning to realize that they have a responsibility to the people to keep them informed on such matters. This will probably be reflected in 1956's public relations programs.

The utilities look to 1956 as a hopeful year of challenge. They intend to meet the challenge by continuing to help Americans maintain the highest standard of living of any people on the face of the earth.

CLOUD WAMPLER

Chairman and President, Carrier Corporation

Another record sales year will be established by the air conditioning industry in 1956 with a total retail volume of about $3.2 billion. This would be the seventh consecutive record-breaking year. By way of comparison, the industry's 1955 retail sales is at $2.9 billion.

Cloud Wampler

As in the past three years, the biggest percentage gain in 1956 will again occur in the residential field. Sales of central systems which air condition the entire home have risen from 50,000 installations in 1953 to about 75,000 in 1954 and 125,000 in 1955.

The total going into homes in 1956 should be about 200,000 systems with a retail value of about $⅓ billion. And I believe the coming 12 months will undoubtedly be the year of the great breakthrough, leading to general use of residential air conditioning.

Looking further ahead, we estimate that during 1957 sales will climb further to 270,000 units, that by 1960 residential systems would be purchased at a rate exceeding half a million a year, and by 1965 installations would reach 1,200,000 annually with a total sales volume of about $1.8 billion.

Other Markets Also Gaining

The air conditioning of department stores and shopping centers has shown spectacular gains during the past year, due in part to the increasingly intense competition between the new suburban shopping centers and the traditional downtown stores.

Air conditioning of older office structures is proceeding at a pace which is not likely to slacken for years to come. At the same time every major new building erected is being equipped with complete central air conditioning, offering a continuing stimulus to improve existing office space.

Another market due to show substantial early improvement is the air conditioning of existing hotels, following the same competitive pattern as in office buildings. And the industrial plant market—stimulated by automation, which has important connotations for air conditioning—offers the industry its greatest single long-range potential next to that of homes. Virtually all

*Mr. Vennard will join Edison Electric Institute on March 1 and will become Managing Director on June 1 upon retirement of Colonel Bennion.

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plants employing extensive automation will require air conditioning to assist in maintaining proper operation of the complicated machines, as well as to provide for the comfort and efficiency of employees.

Room Air Conditioner Outlook

The retail volume of room air conditioners in 1956 will total around 1,450,000 units valued at about $435 million as against 1,400,000 conditioners sold during the year just closed. The increase this past year from the 950,000 units marketed in 1954 was due in large measure to the early hot summer in some areas of the nation combined with drastic price reductions by many firms to clean out overstocked shelves.

With room unit inventories reduced from about 700,000 at the end of 1954 to some 300,000 at the close of 1955, it seems logical to anticipate firmer prices in the year to come—even in this highly competitive portion of the industry.

A breakdown of our 1956 estimate of $3.2 billion in total retail sales for the air conditioning industry follows:

Room air conditioners, $435,000,000; complete home air conditioning, $312,000,000; commercial packaged air conditioning, $189,000,000; built-up air conditioning and refrigeration systems of all sizes, $1,043,000,000; residential forced air furnace installations adaptable to air conditioning, $638,000,000; all other, including service, $565,000,000.

Furnace Industry Trend

The spectacular gains in complete home air conditioning will bring profound changes in the residential heating business. The furnace industry already is being welded tightly into that of air conditioning. The key phrase in furnace installations over the next few years will be "easy convertibility." Heating is becoming, as it should be, simply one phase of year-round air conditioning.

The impact of air conditioning techniques will be felt in the design of furnaces and the kinds of heating equipment used, and in dealer experience and installation practices. The dealer who currently specializes only in heating will find it necessary to become a well-rounded expert in complete air conditioning, or else he will find his business diminishing instead of increasing over the years to come.

Most people have not been concerned with what their heating unit looks like, and many don't even know its brand name. But the installation of air conditioning in the home will be a source of considerable family pride and I believe you can expect the owner of such a system to be fully aware of its attractiveness, its carefully engineered and installed comfort features and the reliability of its manufacturer.

LOUIS WARE

President, International Minerals & Chemical Corp.

The national production of nonmetallic minerals is growing at a rate twice that of the metallic minerals. This reflects the increasing recognition of the value of the nonmetallics by industry and agriculture.

Louis Ware

1956, consequently, should see substantial growth in the nonmetallic minerals industry, of which International Minerals & Chemical Corporation is a part.

American farmers are not using nearly as much potash and phosphate on their lands as could be used profitably for more efficient crop production. Each year, however, shows successively larger use of these two essential foods for plants. Phosphate and potash are equally necessary to crop production in other parts of the world, and increasing amounts must be used to feed the world's hungry and growing population.

Florida, where International operates three phosphate mines, and North Africa account for the largest production of phosphate today. There are also phosphate deposits on some islands in the Pacific. Little is known about phosphate reserves behind the Iron Curtain, but Western Europe must import all its phosphate.

The United States produces potash for domestic use and for export to nearby countries. Our principal source of potash is in New Mexico, where International and other producers mine it in extensive underground operations.

About 85% of the phosphate produced in this country is used in commercial plant foods. About 90% of our potash is used as an agricultural chemical. However, chemical processors and other industrial users are finding increasing numbers of applications for phosphate and potassium chemicals.

The future of commercial plant foods in this country can be read in their history in Europe. Because its lands have been tilled longer, Europe is considerably more advanced than we are in the use of plant foods. In this country, the growing consumption of commercial fertilizer in Wisconsin and Iowa indicates the call for more and more plant foods that will come from other areas as farmlands become depleted.

Feldspar and other industrial minerals are also in increasing demand. There are over 1,000 uses for the more than 30 industrial minerals International produces, and the list of uses is growing. International has mines throughout this country and in Canada for the production of feldspar, silica, mica, aplite, nepheline syenite, bentonite, fireclay, foundry bonding clays and other industrial minerals. This field of operations has shown gratifying growth since International entered it in 1951, and it has fine indications for an even more successful future.

The outlook appears equally bright for monosodium glutamate, the seasoning International produces from a by-product of the sugar beet industry in California and markets throughout the world under the trade name Ac'cent. This pure vegetable product with its unique property of intensifying the natural flavor of foods has attained widespread acceptance from homemakers, chefs and food processors in a short span of years. Besides its use in the home to make foods taste better, it has important applications in restaurant and institutional food service and in the canning and freezing of foods both commercially and at home.

SYLVESTER L. WEAVER, Jr.

Chairman, National Broadcasting Company

Television is heading into its greatest year. Our research at NBC indicates that in 1956 network television may well get a larger share of advertising revenue than any other national medium. The reasons for this growth will be manifold, but three stand out from all others.

S. L. Weaver, Jr.

Color television, which will become a mass medium in 1956, will attract powerful support from advertisers. Clients in the food field, in durable consumer goods, in travel, in clothing, in home furnishings, are coming to recognize that only color television can bring their products to the buyer with full reality—with sight, sound, motion, color and the third dimensional effect that only color television can give. The sheer selling power of color will attract advertisers who have never before used television. We at NBC expect an increased demand for color in the months ahead and to meet it we have begun a program to expand our color production facilities in New York, Hollywood and Chicago. When this program is completed, we will be able to double our present color programming—from 40 to 80 hours a month.

"Electronic merchandising," will likewise bring in new advertisers. This new field of selling developed by NBC applies such electronic techniques as closed-circuit television and the use of portable kinescope projectors to the needs of merchandising. The power and scope of electronics are used to carry the full impact of the advertising campaign throughout the distribution chain. With a closed-circuit telecast, an entire nation-wide distribution group, including salesmen, jobbers, distributors and dealers, is brought together for a full-scale orientation. The momentum of the campaign is maintained by the use of portable kinescope projectors for periodic showings to smaller groups. We expect our electronic merchandising to be increasingly in demand this year to meet heavy, fast-paced competition in almost all areas of the economy.

Finally, institutional advertising will account for an increasing share of television time. The trend toward television as a vehicle for institutional purposes is already well underway. A number of firms have found that it is good business to link their names with high-quality entertainment, informational or cultural programs reaching into millions of homes. At NBC we are drawing up plans for a number of new shows designed to create public response to the sponsor not only through the commercial but by association throughout with a program of distinction, prestige and reliability. We believe that this kind of programming will be needed increasingly in an expanding economy which provides higher incomes for all and leads in turn to a more sophisticated, more discriminating public.

ERNEST T. WEIR

Chairman, National Steel Corporation

The steel industry outlook in 1956 is for a year of good operations.

The high demand for steel which held consistently through 1955 is certain to continue through the first quarter of 1956 and most probably through the second quarter as well, which means that the steel industry will be operating at capacity through the first six months. In my opinion, operations in the second half will be sustained at levels which should make 1956 one of the peak years in steel production.

Ernest T. Weir

The experience of 1955 and the prospect for 1956 emphasizes the need for the expansion of our country's steelmaking capacity. And this need is not diminished by the fact that in the future we may expect, as a normal thing, periods when the demand for steel will be at lower levels than it is now.

The steel industry recognizes the necessity for greater steelmaking capacity and is responding to it. Within recent months, programs have been announced by a number of steel companies which will result in the aggregate addition of close to 10,000,000 tons of new ingot capacity over the next few years.

National Steel Corporation is one of the companies and will account for 1,000,000 tons of the increase in a program scheduled for completion in mid-1959 which will raise our company's annual steelmaking capacity from 6,000,000 to 7,000,000 tons. This program, plus other additions and improvements at four of our plants, will require an expenditure of at least $200,000,000 in this period.

All of the increase in capacity will be made at our present steelmaking locations the Weirton Steel Company at Weirton, West Virginia and the Great Lakes Steel Corporation at Detroit, Michigan. Because of the ability to tie in with existing facilities, expansion can be accomplished in this manner both more quickly and at substantially lower cost.

All of the steel companies which have announced

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Unit No. 3 is on the job . . . No. 4 is on the way

POWER resources of the Wisconsin Electric Power Company system were increased in 1955 when a third 120,000 kilowatt generating unit was placed in service at Oak Creek. Work has begun on a fourth unit . . . scheduled for completion during the winter of 1957. This will bring the capacity of the plant to 480,000 kilowatts — making it the largest in the state.

Expansion at Oak Creek is part of a long-range program to improve the generating, transmission and distribution facilities needed to meet continually increasing demands in this area of diversified activity and stable growth.

Completion of the third unit at Oak Creek increases the dependable generating capacity of our system's 7 steam plants and 18 hydroelectric plants to a total of 1,252,610 kilowatts.

WISCONSIN ELECTRIC POWER COMPANY SYSTEM

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programs so far plan to enlarge capacity through additions at existing plants. I believe, however, that the steel industry as a whole is near the end of its ability to expand capacity in this way.

For future growth, steel companies will be required to construct entirely new plants regardless of whether the building is done at present locations or at new sites. The cost of doing this will be much greater—a minimum of $325 per annual ton on the present basis and with the strong likelihood that this cost will be higher rather than lower in the future.

This fact underscores the serious and difficult problem that confronts the steel industry as it faces the obligation to expand in proportion to the need for steel. I regard it as the most critical problem that the industry has faced in its entire history. And, although the physical side of the problem is not to be minimized, the hardest question it poses to steel executives is: "How do we get the money that we must have to do the job?"

Part of the money, of course, must come from the public in the form of loans and equity financing. However, it would be most unsound, if not impossible, to get all of the money in this way. There is only one other available source; namely, the net earnings of steel companies. This source must provide a substantial part of the cost of future steel expansion. The present basis of earnings in the steel industry is entirely inadequate to meet this requirement.

Furthermore, a very substantial part of net earnings as now reported cannot be considered true earnings since this part must be expended for replacement of existing plant and facilities and therefore is not available for new capacity. The reason for this, and it applies to every steel company, is that the amounts set aside for depreciation of existing facilities are much less than the present cost and anticipated future cost of replacing them.

It is obvious that steel companies must have larger incomes and net earnings if they are to maintain the size and efficiency of present capacity and also increase capacity in line with the country's needs. Except for a negligible fraction, the income of steel companies is derived from the sale of their products, so the conclusion is inescapable that steel prices must be higher. In other words, steel must pay its way. And in my opinion, it is sound, constructive and necessary for it to do so from the standpoint not only of the steel industry but of the country as a whole.

Formerly, each expansion of capacity was regarded as a separate project. When one was completed, it was expected that a considerable period of time would elapse before another would become necessary. That view is outmoded. We must now think of expansion as a continuous thing in the same manner as we think of operations as continuous.

To meet American requirements, I estimate that at least 12,000,000 tons must be added to our present steel-making capacity by 1960. I base this on the definitely indicated increase in population and on the constant trend toward increased per capita consumption of steel. In addition, there is a world movement toward higher standards of living and without steel there can be no improvement in living standards. Steel is basic.

Other estimates of the increase required in steel-making capacity are higher than mine. They may well prove to be right. In any event, one thing is certain. The cost of steel expansion must be measured in billions of dollars and the problem confronting all steel executives now is the provision of these absolutely essential billions.

A. R. WATSON

Executive Vice-President and General Manager Southwestern Public Service Company

We look forward to continued growth in 1956—just as we have looked forward to—and seen—growth for the past decade.

The 45,000 square miles that we serve in Texas, New Mexico, Oklahoma and Kansas has changed from an area once completely dominated by agriculture to one in which industry, natural resources and agriculture are now welded into a balanced and diversified economy.

A. R. Watson

We will continue, in cooperation with civic groups in our region, to seek small and medium sized industries which either use the raw materials of the region or produce machinery which assists in the gathering of these materials. In addition to this type of industrial expansion, our confidence for future growth is encouraged by 1956 expansion plans, within our area, of several nationwide industrial organizations, which have pioneered in our region.

Major electric appliance sales in our service area in 1955 more than doubled the rate of increase nationally over the previous year. We plan to expand our sales promotion program with the Reddy Kilowatt Appliance Dealers in our service area in 1956, and look forward to an even better appliance sales year for the dealers.

All of the elements for sound growth are found in the economy of our region, and we expect 1956 to see the territory continue its forward movement.

R. A. WILLIAMS

President, Standard Railway Equipment Mfg. Co.

The railway equipment industry enters 1956 with one of the largest backlogs of unfilled orders in history. This assures a very promising outlook for the long term. However, the difficulties being encountered in the procurement of steel cloud prospects for the immediate future.

R. A. Williams

The reason for genuine optimism over the next few years is based on the upsurge of railway equipment buying which began in the closing months of 1954 and increased in momentum during the past year. The result was that the backlog for the entire railroad equipment industry totaled an estimated 145,000 freight cars at the end of 1955, compared with 30,000 at the end of 1954. The tremendous 1955 order volume, representing an expenditure of $1.3 billion, is sixth largest of all the years since 1910. It is a concerted effort on the part of the railroads to meet a freight car shortage of unusual proportions.

While the accelerated buying has been due in part to the wish of railroads to take advantage of rapid amortization provisions which expired Dec. 31 last, it also represents deferred buying to make up for the dearth of order-placing during the period prior to late 1954.

Even with the expiration of the amortization provision, there is every reason to believe that new equipment business in 1956 will be substantial if railroads are to keep pace with replacement needs and the rising volume of business they expect. Approximately 70,000 freight cars are retired every year.

Effects of the current steel shortage have hampered Standard Railway in the same way as they have other fabricators for the freight car industry, namely, reduced work schedules and lower sales. Until the steel companies are able to provide sufficient quantities of steel needed to meet incoming orders, the freight car builders will continue to be subject to restricted operations and the railroads handicapped by freight car shortages.

Standard Railway is maintaining its position in its industry despite intensified competition. Profit margins are smaller than they have been historically as a result of higher operating costs. But through pursuit of cost reduction and intensive sales efforts, the company has been able to protect adequate gross margins.

To assure higher production and profit levels based on a growing demand for its products in an expanding economy, Standard Railway has launched an aggressive program for diversification of its operations. A research and development department has been organized and charged with the responsibility of creative experimental work on established lines as well as new products and services. With increased availability of steel supplies and tangible results from the diversification program, many years of high level and profitable operations are anticipated.

LANGBOURNE M. WILLIAMS

President, Freeport Sulphur Company

Production and consumption of sulphur in the United States reached new highs in 1955 in keeping with the record rate of industrial activity.

Estimated output of sulphur from all sources was 6,900,000 long tons, or 250,000 tons more than 1954. Domestic consumption amounted to an estimated 5,600,000 tons compared with 5,050,000 tons in the previous year, and exports approximated 1,500,000 tons compared with 1,650,000 tons in 1954.

L. M. Williams

More than four fifths of the total production came from the salt dome deposits of Louisiana and Texas. These deposits, which are mined by the Frasch hot water process, produced an estimated 5,700,000 tons compared with 5,515,000 tons in 1954. Of the balance of the supply, 390,000 tons represented sulphur recovered from gases, 400,000 tons sulphur contained in pyrites, and 410,000 tons sulphur in various forms from other sources.

Thirteen Frasch process mines were in operation at year-end. Texas Gulf Sulphur Company, the largest producer, operated three, Freport Sulphur Company, five, Jefferson Sulphur Company three, and Duval Sulphur and Potash Company and Standard Sulphur Company one each.

During the year, one new mine was brought into production, plans for the development of a new deposit were announced and exploratory drilling was conducted in several areas. The new mine is the Chacahoula, La., property of Freeport. It is the seventh new Frasch mine placed in operation in the United States in the past five years.

The new deposit, known as Lake Pelto, is located in the shallow waters of the Louisiana coast about 60 miles southwest of New Orleans. It lies beneath six to eight feet of water and is separated from the Gulf by only a narrow strip of land. Freeport is working on plans to install mining facilities there which will mark the first attempt at producing surlpur from a deposit entirely under water.

Exploratory drilling established the existence of another deposit—Block 18 of Humble Oil and Refining Co.—some six miles off the Louisiana shore and under 40 feet of water. Plans for the development of the deposit have not as yet been announced.

There were, in addition, several new projects completed during the year to obtain sulphur from sources other than salt dome deposits. The projects and their sources are: American Sulphur & Refining Co., Sulphurdale, Utah, surface deposits; Rico Argentine Mining Co., Rico, Colo., pyrites; Jefferson Lake Sulphur Co., Manderson, Wyo., J. L. Parker Co., Penwell, Texas, and Signal Oil and Gas Co. and J. L. Parker Co., 14-Mile Field, Wyo., sour natural gas; Gulf Chemical Co., Girard Point, Pa., Sun Oil Co., Marcus Hook, Pa., and Union Oil Co., Santa Maria, Calif., refinery gases.

Although domestic consumption of sulphur increased about 10% in 1955, little change occurred in the use pattern by industries. About 80% of the mineral consumed was converted into sulphuric acid and the remainder used in elemental form or in other chemical compounds.

Fertilizers accounted for about 33% of the total consumption; chemicals, 18½%; titanium and other pigments, 7½%; pulp 7½%; iron and steel, 7%; ground and refined sulphur uses, 5%, carbon bisulphide, 4½%; petroleum, 3%; and other chemicals and miscellaneous uses, 9½%.

PAUL B. WISHART

President, Minneapolis-Honeywell Regulator Company

The multi-billion dollar automatic controls industry, which gave birth to and is feeding technology's glamour baby—automation— is on the threshold of the brightest future it has ever know.

Paul B. Wishart

Actually, the business of producing and selling equipment to do things automatically — from regulating home temperatures to flying quided missiles—is growing at a more rapid rate than the nation's general economy which is, itself, enjoying its healthiest boom in history.

The industrial processing field is one of the largest users of automatic controls and was one of the first to utilize automation techniques to reduce manufacturing costs, increase production and improve product quality. The production and sale of controlling and recording instruments in this field has increased twice as fast in the last 25 years as the national economy, and twice as fast as expenditures for non-farm plants and equipment. Sales of automatic control equipment for industrial uses during that period increased about 700%, compared with an increase in the general economy of about 325% and an increase of about 350% in expenditures for non-farm plants and equipment.

Although official dollar figures on the size of the automatic controls industry are lacking—due to the wide variety of controls made and the wide variety of fields in which they are used—it is estimated that in the industrial field alone, investment in automatic controls now represents some 8 to 10% of the total dollars spent on facilities.

Another indication of the growth of automatic controls business is in the home heating and air conditioning fields. The number of automatic heating installations in the United States has increased some 400% in the last 10 years to reach a total of nearly 17,000,000.

When one talks about the growth and future of the automatic control industry today, he is in essence talking about the whole future of industrial and technological progress, for the two must advance together. The signs are unmistakable.

The high degree of dependence on automatic controls that already exists in such industries as aviation, chemicals, petroleum and atomic energy is well known. Now, knowledge born of long experience is teaming up with rapid technological strides and the pressure for cost-cutting to give impetus to the expansion of automation from the processing industries—where it has matured—to the factory production field.

What actually is happening, is that industry is beginning to realize that with the great advances in electronics, in servo mechanisms which are the muscles of electronics, and in computers which are the brains

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The State of Trade and Industry

centage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Registers Further Gains in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 14, 1956, was estimated at 11,594,000,000 kwh., an increase above the week ended Jan. 7, 1956, according to the Edison Electric Institute.

This week's output advanced 537,000,000 kwh. above that of the previous week; it increased 1,666,000,000 kwh. or 16.8% above the comparable 1955 week and 2,580,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Jan. 7 Advanced 6.4% Above Preceding Week

Loadings of revenue freight for the week ended Jan. 7, 1956, increased 36,636 cars or 6.4% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 7, 1956, which included the New Year Day's holiday, totaled 611,299 cars, an increase of 13,947 cars, or 2.3% above the corresponding 1955 week which was a non-holiday week, but a decrease of 12,930 cars, or 2.1% below the corresponding week in 1954 which also was a non-holiday week.

U. S. Automotive Output Shows a 21.5% Increase Above the Preceding Week

Output in the automotive industry for the latest week ended Jan. 13, 1956, according to "Ward's Automotive Reports," rose 21.5% over the previous week.

Last week the industry assembled an estimated 152,205 cars, compared with 125,245 (revised) in the previous week. The past week's production total of cars and trucks amounted to 177,290 units, or an increase of 33,237 units above the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 26,960 cars, while truck output advanced by 6,277 vehicles during the week. In the corresponding week last year 155,109 cars and 22,220 trucks were assembled.

Last week the agency reported there were 25,085 trucks made in the United States. This compared with 18,808 in the previous week and 22,220 a year ago.

Canadian output last week was placed at 5,955 cars and 1,051 trucks. In the previous week Dominion plants built 4,126 cars and 912 trucks, and for the comparable 1955 week, 6,056 cars and 977 trucks.

Business Failures Rose Sharply in Past Week

Commercial and industrial failures climbed to 245 in the week ended Jan. 12 from 198 in the preceding week, according to Dun & Bradstreet, Inc. The toll was considerably heavier than the 200 in the comparable weeks of both 1955 and 1954. However, failures remained 36% below the prewar level of 380 in 1939.

Liabilities of $5,000 or more were involved in 202 of the week's failures as against 170 last week and 171 a year ago. Small failures, those with liabilities under $5,000 increased to 43 from 28 in the previous week and 29 last year. Twenty-five of the failing concerns had liabilities in excess of $100,000 as compared with 17 a week ago.

All industry and trade groups had increases during the week, with the retailing toll up to 129 from 110, manufacturing to 50 from 38, construction to 28 from 21 and commercial service to 17 from 9. Wholesaling had only a slight rise and was the only line in which failures remained below the 1955 level. Considerably more retailers and construction contractors failed than a year ago, while rises in manufacturing and service were relatively mild.

In six of the nine major regions, failures rose in the week just ended. The toll in the Middle Atlantic States jumped to 101 from 61 and in the Pacific States increased to 65 from 58. No change appeared in the East North Central States, while the only declines during the week occurred in the East South Central and West South Central States. Five regions reported increases and four had slight dips from 1955. Both the Middle Atlantic and Pacific States had notably higher failures than a year ago.

Thirty-one Canadian failures were recorded as against 26 in the preceding week and 32 in the similar week of 1955.

Wholesale Food Price Index Held To Downward Trend the Past Week

Movements in foodstuffs were mixed last week with declines outweighing advances and the Dun & Bradstreet wholesale food price index showed a further drop to $5.92 on Jan. 10, from $5.95 the week before. This brought the current figure to the lowest since May 23, 1950, when it stood at $5.90. Compared with $6.81 a year ago, the latest index reflects a decrease of 13.1%.

Commodities quoted higher the past week included flour, corn, oats, beef, hams, sugar, coffee and steers, while lower in wholesale cost were wheat, rye, bellies, lard, butter, cocoa, beans, peas, eggs and lambs.

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 Continued to Move Within a Narrow Range

The general level of prices, as measured by the Dun & Bradstreet daily wholesale commodity price index, continued to move within narrow limits in the past week. The index registered 280.38 on Jan. 10, as compared with 280.48 a week earlier, and with 278.70 on the like date a year ago.

Grain markets were generally steady during most of the week but developed some uncertainty following the President's farm message to Congress.

Activity in both wheat and corn broadened on the belief there will be a large cut in acreage and production this year.

Some buying of the bread cereal was influenced by the drought conditions prevailing over the hard Winter wheat areas of the Southwest and the less than normal moisture condition in many other sections. Demand for corn was good and prices held up well reflecting meager producer offerings. Rye prices were firm aided by a more active export demand, while steadiness in oats reflected limited offerings. Trading in grain and soybean futures on the Chicago Board of Trade was more active last week with daily average purchases totaling 54,700,000 bushels, against 26,900,000 the week before and 45,200,000 in the same week last year.

Spot cocoa prices moved lower for the week. Easiness resulted from scattered liquidation, weakness in the London market, and continued pressure of spot supplies with manufacturers showing little interest in offerings at current values. Warehouse stocks of cocoa were slightly higher for the week at 301,657 bags and compared with 96,060 a year ago. Activity in hard wheat bakery flours continued routine with recent small price changes offering little or no inducement to coverage beyond necessary replacements for immediate and nearby.

The coffee market developed a firmer undertone last week influenced by the belief that crops in the new year starting in June may not be as large as expected and the possibility of an international agreement being worked out.

The domestic spot raw sugar market continued dull while trading in futures increased sharply at the week-end. Egg prices moved sharply lower as the result of much heavier receipts and a lack of buying interest. Vegetable oils continued to show strength but lard prices tended to sag owing to continued heavy hog marketings.

Spot cotton prices finished a shade higher for the week after fluctuating within a very narrow range.

Strength at the close was attributed to the President's farm message proposing further acreage cuts below present restrictions and a proposal that acreage allotments in cotton be replaced with quantity allotments as a move to reach the core of the cotton surplus problem.

Trading in the 14 spot cotton markets was light with volume falling considerably below that of a year ago. Export demand remained quiet as foreign spinners awaited the outcome of the first opening of bids under the special cotton export program. CCC loan entries in the week ended December 30 declined sharply to 264,000 bales, from 407,000 the week before.

Trade Volume Perked Up a Trifle Last Week and Exceeded Like Week a Year Ago

Retail trade rose slightly in the period ended on Wednesday of last week and the total dollar volume moderately exceeded that of the similar week a year ago. Consumer spending was stimulated by numerous clearance sales and January promotions.

Considerable gains were reported in the volume of household furnishings and some apparel lines.

The total dollar volume of retail trade in the week was 2 to 6% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels

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and analyzers of electronics, automation techniques can now be advanced into a broader field of manufacturing. The future potential that this offers for automatic controls, becomes even more significant when we consider that the great growth industries of the future already are big users of automatic controls, including atomic energy, electronics, selected armaments, air conditioning, labor saving machinery, electricity, natural gas and petroleum in the fuels and power field, aluminum, stainless steel and titanium in the metals field, and chemicals. and plastics.

J. C. WILSON

President, The Haloid Company

We of the Haloid Company believe that the outlook for 1956 is bright. Our field, which is primarily that of copying, expanded considerably in 1955, and we feel certain that this growth will continue.

J. C. Wilson

General business in 1956 should be even better than last year. This rise in business activity from the existing high level will put an unprecedented premium on greater economies, labor saving techniques, and the better use of human skills. Haloid's products and those of our competitors meet these requirements in the field of paper work and office systems, and thus we expect substantial demand for them this year.

It has become increasingly evident in the last few years that a revolution in office systems and procedures is being brought about by an increasing need for more and better information in more hands with greater speed. As a company steps up the tempo of its operations and as competition becomes increasingly keen, it becomes more important than ever that people in positions of responsibility must receive operations reports while the information in them is still fresh and that branch plants or offices must be given promptly the facts they need to coordinate their activities with the rest of the organization.

We, as well as others in our industry, are striving continually to bring new and improved products to the market. We expect that a number of these will be marketed for the first time in 1956. They are designed to provide performance and economies so as to justify replacement of present equipment even though in many cases it may not be physically worn out. This, we believe, is a clear indication that ours is a healthy, dynamic industry.

Another reason for our optimism is the fact that a hitherto unsung fraternity, that of the office systems consultant or specialist, is assuming increasing importance. This is a natural evolution as cost cutting emphasis now is turning toward paper work. The possibility of striking savings in handling paper work is just now receiving adequate attention.

To summarize, we are optimistic about the outlook of 1956 for four basic reasons:

(1) General business activity should be somewhat higher than in 1955.

(2) There will be a greater demand for our products as the need for more rapid and effective dissemination of data increases.

(3) New and improved products will be marketed.

(4) Office systems specialists will cause more attention to be focused on the need for the more efficient handling of information.

J. ALBERT WOODS

President, Commercial Solvents Corporation

American business stands at the threshold of another healthy, profitable, competitive, bustling year. The continuation of widespread confidence in our economic well being on producer, consumer and investment levels establishes industry's performance in 1955 as a reliable guidepost for 1956.

J. Albert Woods

Engaged as we are in an industrial boom which may be in full maturity as we move through its second year, the future bears close watching. The six months immediately ahead will, for most businesses, be a continuation of their respective patterns apparent in the last six months of 1955. The latter part of the New Year may well reveal mild stresses and strains in various segments of the economy which, if unchecked, could cut into sales, profits and the vital capacity of private investors for capital investment and expansion.

Confidence factors include: (1) the significant continuing growth in our population which should give us at least 200,000,000 people by 1975; (2) broad scale research activities which effectively probe for new and improved saleable products and services; (3) more reliable alarm systems than we have ever had before for detecting flaws in the economy, and knowledge based on experience for alleviating these flaws, and (4) an economy which today shows no excessive bulges or caveins.

Concern factors include: (1) a decline in farmer purchasing power due to falling prices at the farm level; (2) an attainment of greater production capacity than there presently is market in segments of a number of industries: (3) actions based on emotional rather than rational conclusions as to the future of the American economy, either up or down, which are not based squarely on facts and the sound interpretation of those facts; (4) an insufficient number of college graduates in a number of scientific and technological areas, including certain phases of chemistry, sufficient to sustain and intensify progress through research, and (5) taxation which interferes with adequate consumer buying power and investor potential.

The factors for concern are not, in my opinion, sufficient to offset the reasons for confidence in a good year ahead. They do, however, make it clear that keen competition for existing markets, and for clear business minds and competent research personnel, will join with enterprise in the establishment of new markets as hallmarks of successful firms in the 1956 business year.

As shifts ensue in consumer spending from one field to another, as buying power sways between new purchases and the satisfaction of consumer credit, it will behoove the enterprising businessman to fight for his share of the market with better goods produced at lower prices and marketed with enthusiasm and imagination.

In the chemical industry research is the keystone of our progress. Most recent figures show that chemicals led all of industry in its expenditures for basic research —one-fourth of all spent by American business for that purpose.

My participation in the affairs of the Manufacturing Chemists' Association has made me sharply aware of the urgency for encouraging more high school graduates to matriculate in science subjects such as chemistry. The relentless rolling back of new frontiers by adequately trained younger men is a major ingredient of our American economy's present well being.

The chemical industry has good reason to look to 1956 with anticipation. Chemical sales in the past year reached an estimated $23 billion, an all-time high. Total investment in plant expansion will exceed one billion dollars for the fifth straight year. Some of the effects of this expansion will be felt in 1956, more in 1957 and 1958. Ours is a growing, changing business and the successful people in it are geared to a fast moving, highly competitive pace.

Conservative optimism, a sound faith in the future based on hard work. a thoughtful watchfulness of new signs on the economic horizon, and growth guided by careful and deliberate action should yield us another banner year.

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High Grade Bleached Sulphite Pulp—Paperboard Industrial Alcohol Lignosite

Smyth Heads Dept. of Phila. Nat'l Bank

PHILADELPHIA, Pa.—Gordon S. Smyth, Vice-President of the Philadelphia National Bank, has been appointed head of the Bank's investment division to succeed George B. Kneass, who has been appointed as Assistant to the Secretary of the Treasury.

Form Dewey, King Johnson

Dewey, King & Johnson has been formed with offices at 64 Wall Street, New York City to engage in a securities business. Partners are George A. Dewey, Jr., Ross E. King, Gilbert M. Blakeney, Joseph Sussman and Andrew R. Johnson.

Rumjahn, McDonough

Rumjahn, McDonough and Kaplan Company is engaging in a securities business from offices at 110 West 42nd Street, New York City. Partners are Jack L. McDonough, Victor L. Kaplan and Alex A. Rumjahn.

With Straus, Blosser

(Special to The Financial Chronicle)

WINONA, Minn. — William E. Bray has joined the staff of Straus, Blosser & McDowell, of Chicago.

Natural Gas is Coming!

CASCADE NATURAL GAS CORPORATION

CASCADE is now serving 24 growing Northwest communities in Oregon, Washington and Idaho. Natural Gas is due in July of 1956.

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Motor Vehicle Production And the Business Outlook

expenditures should reach $8 billion in 1956, including $5 billion for modernization and construction. This represents an increase over 1955, even though the construction figure is still woefully inadequate.

On the basis of known plans, new plant and equipment expenditures by industry in 1956 will be even higher than the record total of 1955. Facilities of all kinds were utilized beyond their economical capacity last year. Businessmen recognize that the only successful formula for insuring economic progress and an advancing standard of living is to produce *more* by means of *more* and *better* equipment. It is estimated that capital expenditures by industry in 1956 will amount to $32 billion, or nearly 15% higher than in 1955.

All of these figures add up to a very prosperous year for business generally.

As for the automobile industry —this year, as in prior years, the industry introduced new models in accordance with the annual practice which has contributed so importantly to its growth and to the growth and development of the economy as a whole.

New Car Styles

For General Motors alone it required an outlay of more than $350 million to bring its 1956 models to market. There have been many important mechanical advances, including improvements in all three types of automatic transmissions — Hydra-Matic, Dynaflow and Powerglide. Styling likewise has advanced. Last year, in two of our lines we pioneered the four-door hardtop, the first completely new body type since 1949 when we introduced the two-door hardtop. For 1956 this revolutionary development in body engineering and styling is available in all five lines. The impact of this striking combination of beauty with comfort and convenience has been felt throughout the industry and will continue to be for a long time to come.

A new development in the fine car field is the Eldorado Brougham. Exhibited as one of last year's dream cars, this smart model received immediate public approval. It is now being tooled by Cadillac for limited production in August, 1956.

I am sure you will agree when you see all five of our passenger car lines on display at the Motorama that they maintain General Motors' leadership in engineering, styling and value for the customer's dollar. They are outstanding in every respect and represent important advances over 1955. They are the greatest values we have ever offered to customers.

The 1956 models of the other automobile manufacturers also show many important improvements over their 1955 models. Without question they too represent the best values that they have ever offered to customers.

Last year retail sales of passenger cars to consumers rose 38% over 1954, whereas total consumer expenditures showed an increase of only 7%. Retail passenger car sales to consumers were about 5½% of total consumer expenditures, compared with about 4% for the earlier postwar years and a prewar average of less than 3%. This year the percentage of consumer spending channeled to automobiles may not reach the record level of 1955. However, the automobile industry will share substantially in the general prosperity of 1956.

Not only is the population of our country continuing to grow rapidly, but more and more people are moving to suburban areas where one car is an absolute necessity and two cars increasingly the rule. There are about 20 million cars in this country owned by people who bought them new. But nearly two-thirds of these 20 million cars were purchased prior to 1955 and do not have the more modern mechanical and styling features.

Federal Reserve Policy

An important factor to be considered is the current policy of the Federal Reserve, which is restrictive from the standpoint of the cost and availability of credit and may result in less support to sales in 1956 as compared with 1955.

Appraising all these factors, I view the year ahead with great confidence. I estimate that the automobile industry will produce and the domestic market will absorb approximately 7,500,000 passenger cars and trucks. This is in line with my revised estimate for 1955, which was made public on March 4 last year. Including Canada and for export to other markets, unit production in 1956 should approximate 8,350,000 cars and trucks. Nineteen fifty-six can be the second best production and sales year in the history of our industry.

This will be another year of intense competition. The most aggressive efforts of the entire industry will be required to realize these estimates. But that is the way our competitive system works—to the benefit of one person—the customer. For producers and sellers, 1956 will be just as good as we make it. In other words, the year will be profitable for everyone willing to work to make it profitable.

For General Motors 1956 should be a record year exceeded only by 1955. If my appraisal of the over-all economic picture is correct, then General Motors' volume of sales in physical and dollar terms should not be far from the record level attained in 1955. It should be another highly profitable year for our dealers and for our suppliers.

Capital Investment

As concrete evidence of General Motors' confidence in the year ahead, and in the long-range picture as well, we are accelerating our expenditures for capital goods.

In the calendar year 1956 our capital expenditures will amount to $1 billion. This represents 65% more than we expended in 1955. It is the largest total of capital expenditures ever made by us *in any one year.*

When our programs for expansion and improvement of facilities have been completed, total expenditures by General Motors for capital investment since the end of World War II will have amounted to $4½ billion. This is in addition to very substantial annual expenditures for special tools during this period.

As I view the longer range picture, our country is moving steadily toward the goal of a gross national product of $550 billion by 1965. The great challenge before us lies in providing an industrial structure capable of supporting a gross national product of this size. We must be able to provide goods and services for a population of 190 million persons who will have an estimated disposable income of about $400 billion.

To meet this challenge will require a steady expansion of facilities and capacity. It will require steady progress in all areas of technology.

Industry generally is in the process of meeting the challenge with respect to plant facilities.

Improved Highways

As a nation, we are *not* meeting the challenge in that vital area of distribution represented by our highway facilities.

The need for better highways continues to be one of our most pressing domestic problems. A nation so dependent upon the efficient operation of motor vehicles must have a highway system that meets the demands of public safety, economic expansion and national security.

It is not too much to say that improved highways represent a capital investment in facilities just as necessary and desirable as the capital investments made by industry. The economic loss to the country from our inadequate road system is estimated at more than $5 billion annually.

President Eisenhower's proposal for a 10-year, twice-as-big, road-building program represents the kind of thinking and leadership that is needed. I sincerely hope that Congress will act immediately to implement this program with the necessary enabling legislation. Nothing has more dollar and cents importance for every American. Nothing is more essential to the welfare of every segment of our economy.

Closely allied to the need for adequate highways is the compelling need for greater safety on the road. While the accident record in the year 1955 showed a decline on a vehicle-mile basis, the number of fatalities again rose to 38,500. And that is 38,500 too many deaths on our highways.

Adequate highways would contribute importantly to reducing the accident toll, just as the engineering of safety into our automobiles is contributing to the same objective. However, it must be recognized that in the last analysis it is up to the driver to take advantage of the safety factors built into his car. Highways can be made only potentially safe. The final responsibility rests and must continue to rest with the driver behind the wheel.

Technological Advance

As for meeting the challenge with respect to technology, we must move ahead at an ever faster rate as fields of knowledge broaden and unfold. Each new advance stimulates dozens of further developments.

A measure of General Motors' determination to make its proper contribution to technological progress is its new Technical Center, now all but completed, which will be dedicated next May.

In my recent appearance in Washington I laid particular stress on what I referred to as the inquiring mind. A basic reason for General Motors' success, I said, was this inquiring mind which holds that everything and anything can be improved. This is the attitude of mind we cultivate at the Technical Center and throughout the corporation to stimulate technological progress.

This attitude of mind produces the dream cars you will see at the Motorama — including the new Firebird II, an experimental gas turbine car that may foreshadow the motor vehicle of tomorrow.

In another area this attitude of mind produced the Allison propjet engine.

Still another example is the new Aerotrain. This train was developed by General Motors at the suggestion of a group of leading railroad executives who are greatly concerned over the annual $700 million passenger deficit.

In undertaking this project it was our hope that General Motors would be able to make a major contribution to a most important sector of our economy. The performance of the Aerotrain is now being evaluated by the railroads' experts. Whether it will be considered to have made a contribution to railroad transportation will be determined by them and them alone.

Another challenge to continued technological advance is the inadequate supply of engineers and scientists. Six years ago we were graduating twice as many engineers and scientists as Russia, whereas today Russia is graduating more than twice as many as we are. In Russia every secondary school graduate is a potential engineer or scientist. In the United States the vast majority are not so trained.

This is a challenge that must be met not alone to insure the continued economic progress of our country but to safeguard its very existence.

Of course, America is a country that has thrived on challenges. It might almost be said that we thrive *because* of challenges.

I have every confidence that our nation will continue to surmount the challenges that face it. It will continue to expand and prosper with benefit to all. In General Motors *we* are determined to make *our* full contribution to meeting the challenges ahead and helping to build an ever more dynamic and prospering national economy.

Bank of America Group Offers $9,460,000 San Diego Harbor Bds.

Bank of America N. T. & S. A. and associates are offering $9,460,000 City of San Diego, San Diego County, Calif. 3½% and 2½% Harbor Bonds, due Feb. 1, 1957 to 1981, inclusive.

The bonds are scaled to yield 1.75% to 2.60%, according to maturity.

Other members of the offering group include—Blyth & Co., Inc.; The First Boston Corporation; Harriman Ripley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; R. H. Moulton & Company; The Philadelphia National Bank; Security-First National Bank of Los Angeles; Salomon Bros. & Hutzler; Equitable Securities Corporation; Dean Witter & Co.; J. Barth & Co.; R. W. Pressprich & Co.; Lee Higginson Corporation.

Third National Bank of Nashville; Coffin & Burr, Incorporated; F. S. Smithers & Co.; Wm. E. Pollock & Co., Inc.; W. E. Hutton & Co.; Shearson, Hammill & Co.; Ira Haupt & Co.; William Blair & Company; Gregory & Sons; Freeman & Company; Commerce Trust Company, Kansas City, Mo.; City National Bank & Trust Co., Kansas City, Mo.; The National City Bank of Cleveland; Carl M. Loeb, Rhoades & Co.; Cruttenden & Co.; A. G. Edwards & Sons; McDonald & Company; McCormick & Co.; H. E. Work & Co.; Kaiser & Co.; The Continental Bank & Trust Company, Salt Lake City, Utah.

Lawson, Levy & Williams; Stone & Youngberg; Hill Richards & Co.; Irving Lundborg & Co.; Shuman, Agnew & Co.; The Peoples National Bank Charlottesville, Va.; Ryan, Sutherland & Co.; H. V. Sattley & Co.; Inc.; Singer, Deane & Scribner; Wagenseller & Durst, Inc.; Stern, Frank, Meyer & Fox; McMaster Hutchinson & Co.; Magnus & Company; Hooker & Fay; The First of Arizona Co.; R. D. White & Company; Redfield & Co.; Jones, Cosgrove & Miller, and C. N. White & Co.

Continued from page 125

The State of Trade And Industry

by the following percentages: New England 0 to +4; East and Pacific Coast +2 to +6; South and Southwest +3 to +7; Middle West +1 to +5 and Northwest +4 to +8%.

Volume in women's sportswear expanded noticeably the past week, with principal gains in knitted skirts and sweaters. Blouses, scarfs and gloves were popular accessories and volume in women's shoes was slightly above the level of the previous week. There was a considerable increase in volume in children's clothing; interest in boys' sports jackets and outer coats increased moderately.

Furniture retailers reported a slight increase in dollar volume last week and sales moderately exceeded the level of the similar 1955 week. There was an increased call for bedding and occasional chairs. Sales promotions encouraged consumer interest in linens, towels and draperies; the buying of floor coverings decreased noticeably.

The buying of major appliances was noticeably reduced.

Housewives boosted their purchases of fresh produce and canned goods the past week. Butchers reported a slight increase in the volume of fresh meat, while poultry sales dropped somewhat. Interest in butter rose somewhat, while purchasers of cheese and eggs were equal to those of the previous week. There was an upsurge in the buying of frozen juice concentrates.

Buyer attendance rose noticeably in the major wholesale centers last week as retailers increased their purchasing of Spring merchandise.

January sales promotions at retail stimulated wholesale buying in many lines of apparel and household furnishings.

Some apparel wholesalers reported short supplies of women's accessories and men's furnishings.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 7, 1956, decreased 11% below that of the like period of last year. In the preceding week, Dec. 31, 1955, an increase of 10% (revised) was reported. For the four weeks ended Jan. 7, 1956, an increase of 8% was recorded. For the year 1955 a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week was slightly above the comparable period a year ago. Trade observers estimated the week's increase at about 2 to 3% ahead of 1955, notwithstanding inclement weather the better part of the week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 7, 1956, decreased 19% below that of the like period last year. In the preceding week, Dec. 31, 1955, an increase of 4% was recorded. For the four weeks ending Jan. 7, 1956, an increase of 6% was registered. For the year 1955 the index recorded a rise of 2% above that of the corresponding period in 1954.

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• ITEMS REVISED

• Aerco Corp.
Dec. 20 (letter of notification) 816 shares of 5% cumulative participating preferred stock (par $100) and 816 shares of class A common stock (no par) being offered to class A stockholders of record Dec. 15, 1955, in units of one share of each class of stock for each four class A shares held; rights to expire on Feb. 15, 1956. **Price**—$101 per unit to stockholders; $110 to public. **Proceeds**—For corporate purposes. **Office**—Paris Ave., P. O. Box 248, Northvale, N. J. **Underwriter**—None.

Allegheny Manganese & Iron Corp.
Dec. 28 filed 580,000 shares of common stock, of which 530,000 shares are to be offered publicly. **Price**—$3 per share. **Proceeds** — For liquidation of liens on mining properties; for mining equipment and construction of a laboratory and field office; for construction and equipment of a plant suitable for the processing of beneficiation of lower grades of manganese ore or Oriskany iron ore; and for working capital. **Office**—Charleston, W. Va. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Allied-Mission Oil, Inc., Tulsa, Okla.
Oct. 3 (letter of notification) 598,800 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration, drilling and development of leases. **Address**—P. O. Box 1387, Tulsa, Okla. **Underwriter**—United Securities Co., same address.

Alpha Plastics Corp.
Nov. 18 (letter of notification) 300,000 shares of class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—$90,000 to redeem the preferred stock; $18,100 to be payable to stockholders for advances heretofore made to company; for payment of current obligations, etc.; and for working capital. **Office**—94-30 166th St., Jamaica, N. Y. **Underwriter** — J. E. DesRosiers, Inc., 509 Fifth Ave., New York 17, N. Y.

American Business Research, Inc.
Dec. 9 (letter of notification) 19,000 shares of noncumulative preferred stock. **Price** — At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Office**—8002 Wisconsin Ave., Bethesda, Md. **Underwriter**—G. J. Mitchell, Jr., Co., 1420 New York Ave., N.W., Washington, D. C.

American M. A. R. C., Inc., Pittsburgh, Pa.
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase Hallett diesel engine business of Moore Machinery Co. of Los Angeles; complete purchase of the patent licenses from Diesel Power, Inc. and operating capital. **Office**—Oliver Building, Mellon Square, Pittsburgh 22, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

★ Applied Science Corp. of Princeton
Jan. 16 (letter of notification) 8,200 shares of common stock (par $2) to be offered to stockholders at rate of 6.2 shares for each 100 shares owned. **Price** — $13 per share. **Proceeds** — For expansion of plant and equipment and for working capital, etc. **Business**—Electronics. **Office**—Princeton Junction, N. J. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Atlantic City Electric Co. (2/1)
Dec. 29 filed 75,000 shares of common stock (par $6.50). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., both of New York.

Atlas Industries, Inc., Houston, Texas
Oct. 10 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase dies and materials and for working capital, etc. **Office** — 6006 Harvey Wilson Drive, Houston, Texas. **Underwriter** — Benjamin & Co., Houston, Texas.

Atlas Investment Co., Las Vegas, Nev.
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

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Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 97,144 shares of common stock (par $1) being offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. on the basis of one Atlas share for each three Plywood shares held. Atlas presently owns 496,680 shares of Plywood, Inc. stock and desires to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%. Statement effective Dec. 19.

• Atlas Plywood Corp. (1/24)
Dec. 19 filed $3,000,000 of 5½% convertible subordinated debentures due 1975 and $3,000,000 of 5% sinking fund debentures due 1971. **Price**—100% of principal amount. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Augusta Newspapers, Inc., Augusta, Ga.
Jan. 13 filed 10,000 shares of 6% cumulative preferred stock (par $10) and 91,704 shares of 6½% convertible preference stock (par $7). **Price** — To be supplied by amendment. **Proceeds** — To purchase 6,735 additional shares of $100 par common stock of Southeastern Newspapers, Inc. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Automatic Tool Corp.
Sept. 7 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To set up a factory and purchase equipment and machinery for manufacture and sale of the "grip-lock" driver and screw. **Office**—137 Grand St., New York, N. Y. **Underwriter**—Ellis-Greenberg Co., 1051 Carroll St., Brooklyn, N. Y.

B. S. F. Co., Birdsboro, Pa. (1/20)
Dec. 30 filed 92,636 shares of capital stock (par $1) to be offered for subscription by stockholders of record Jan. 20, 1956, at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A registered investment company. **Underwriter**—None.

Bethel & Mt. Aetna Telephone & Telegraph Co.
Jan. 5 (letter of notification) 3,000 shares of 5% cumulative preferred stock (par $50). **Price**—$52 per share. **Proceeds** — For the conversion of the Womelsdorf Exchange from magneto to automatic dial operation and to provide working capital. **Office**—100 East Main St., Myerstown, Pa. **Underwriter**—Blair & Co., Inc., Philadelphia, Pa.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of nonassessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

Big Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

Birdair Structures, Inc.
Dec. 16 (letter of notification) 1,400 shares of preferred stock (par $100) and 28,000 shares of common stock (par 10 cents) to be sold in units of one preferred share and 20 common shares. **Price**—$102 per unit. **Proceeds**—For equipment and working capital. **Business**—Lightweight portable structures. **Address**—c/o Walter W. Bird, President and Treasurer, 355 No. Forest Road, Williamsville, N. Y. **Underwriter**—None.

★ Blue Lizard Mines, Inc.
Jan. 17 filed $900,000 of 8% convertible subordinated debentures due 1976. **Price**—100% of principal amount. **Proceeds**—To make additional cash payment on purchase contracted and for mining expenses. **Office**—Salt Lake City, Utah. **Underwriter**—None.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business**—Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

Canuba Manganese Mines, Ltd.
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Office**—Toronto, Canada. **Underwriter** — Baruch Brothers & Co., Inc., New York.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected in January.

Cessna Aircraft Co., Wichita, Kansas
Jan. 3 (letter of notification) 3,840 shares of common stock (par $1). **Price**—$26 per share. **Proceeds** — To a selling stockholder. **Office**—5800 Pawnee Road, Wichita, Kansas. **Underwriter**—Harris Upham & Co., Wichita, Kansas.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of nonassessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of nonvoting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

Chemical Ventures Syndicate, Ltd.
Dec. 23 (letter of notification) 295,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To acquire property, purchase inventory and for working capital and general corporate purposes. **Office**—129 South State St., Dover, Del. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Cisco Uranium Corp., Salt Lake City, Utah
Aug. 10 (letter of notification) 7,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses, etc. **Office**—2630 South 2nd West, Salt Lake City, Utah. **Underwriter**—Denver Securities, Inc., Denver, Colo.

Citizens Credit Corp., Washington, D. C.
Sept. 27 (letter of notification) $245,000 of 6% subordinated debentures due 1975 (with warrants to purchase 2,450 shares of class A common and 490 shares of class B common stock). **Price**—99%. **Proceeds**—To supply capital to subsidiaries. **Office**—1028 Connecticut Ave. N. W., Washington, D. C. **Underwriter**—Emory S. Warren & Co., same address.

Clark Oil & Refining Corp. (1/30-2/3)
Jan. 5 filed 87,500 shares of $1.20 cumulative convertible preferred stock, series B (par $20). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—West Allis, Wis. **Underwriter**—Loewi & Co., Milwaukee, Wis.

Clark Oil & Refining Corp. (1/30-2/3)
Jan. 5 filed 25,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Emory T. Clark, President of the company. **Office**—West Allis, Wis. **Underwriter**—Loewi & Co., Milwaukee, Wis.

• Coastal States Oil & Gas Co.
Dec. 19 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment (expected at around $7 per share). **Proceeds**—To pay off loans incurred for land purchases, for construction of gas pipelines and for further drilling. **Business**—To develop oil lands. **Office** — Corpus Christi, Texas. **Underwriter** — Blair & Co., Incorporated, New York. **Offering** — Expected some time in February.

Colohoma Uranium, Inc. (3/1)
Nov. 9 filed 2,500,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Comet Uranium Corp., Washington, D. C.
Aug. 20 (letter of notification) 700,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—501 Perpetual Bldg., Washington 4, D. C. **Underwriters**—Mid America Securities, Inc., Salt Lake City, Utah; and Seaboard Securities Corp., Washington, D. C.

• Commercial Credit Co. (1/24-25)
Jan. 6 filed $50,000,000 of senior notes due 1976. **Price**—To be supplied by amendment. **Proceeds** — For working capital to finance increased volume of business. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

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● **Continental Copper & Steel Industries, Inc.**
Dec. 21 filed 263,771 shares of common stock (par $2) being offered for subscription by stockholders at rate of one new share for each five shares held Jan. 16, 1956; rights to expire Feb. 2. **Price**—$10 per share. **Proceeds**—To increase inventories and receivables required for expansion of sales and for other general corporate purposes. **Underwriters**—Allen & Co., P. W. Brooks & Co. Inc. and Auchincloss, Parker & Redpath, all of New York.

● **Cook Industries, Inc., Dallas, Texas**
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas. **Offering**—Subsequently withdrawn.

Cooper-Jarrett Inc. (1/30-2/3)
Jan. 10 filed (with ICC) 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Allen & Co., New York.

★ **Craig Systems, Inc., Danvers, Mass. (2/9)**
Jan. 13 filed 355,000 shares of common stock (par $1), of which 230,000 shares are to be sold for account of company and 125,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To purchase assets of LeFebure Corp.; for working capital; for reduction of borrowings or for any other corporate purpose. **Underwriters**—Hemphill, Noyes & Co., W. E. Hutton & Co. and Lee Higginson Corp., all of New York.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

● **Cuba (Republic of) (1/23-27)**
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

Cumberland Corp., Lexington, Ky. (1/23-27)
Dec. 30 filed $900,000 of 12-year 5% sinking fund debentures due Jan. 15, 1968, and 90,000 shares of common stock (par 50 cents) to be offered in units of $500 of debentures and 50 shares of stock. **Price**—To be supplied by amendment (about $550 per unit). **Proceeds** — To build plant to make charcoal brickettes and chemical byproducts, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; Carl M. Loeb, Rhoades & Co., New York, N. Y., and The Bankers Bond Co., Louisville, Ky.

★ **Dallas Power & Light Co. (2/15)**
Jan. 13 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program and to repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled for Feb. 15.

NEW ISSUE CALENDAR

January 20 (Friday)

B. S. F. Co.—Common
(Offering to stockholders—no underwriting) 92,636 shares

Citizens & Southern National Bank (Ga.)—Com.
(Offering to stockholders) $3,000,000

Maine Fidelity Life Insurance Co.—Common
(P. W. Brooks & Co., Inc.) $1,125,000

Pierce & Stevens Chemical Corp.—Common
(Doolittle & Co.) $297,000

January 23 (Monday)

Cuba (Republic of)—Bonds
(Allen & Co.) $2,000,000

Cumberland Corp.—Debentures & Common
(William R. Staats & Co.; Carl M. Loeb, Rhoades & Co.; and The Bankers Bond Co.) $990,000

Sayre & Fisher Brick Co.—Common
(Barrett Herrick & Co., Inc.) 325,000 shares

January 24 (Tuesday)

Atlas Plywood Corp.—Debentures
(Van Alstyne, Noel & Co.) $6,000,000

Commercial Credit Corp.—Notes
(The First Boston Corp. and Kidder, Peabody & Co.) $50,000,000

Green (A. P.) Fire Brick Co.—Common
(Blyth & Co., Inc. and Shields & Co.) 245,007 shares

Northern Pacific Ry.—Equip. Trust Ctfs.
(Bids noon EST) $6,060,000

Silvray Lighting, Inc.—Common
(Milton D. Blauner & Co., Inc.) 225,000 shares

January 25 (Wednesday)

Central of Georgia Ry.—Equip. Trust Ctfs.
(Bids noon EST) $4,680,000

Textron American Inc.—Debentures
(Blair & Co. Incorporated) $30,000,000

January 27 (Friday)

Lisbon Uranium Corp.—Common
(Offering to stockholders—no underwriting) 1,306,209 shares

January 30 (Monday)

Clark Oil & Refining Corp.—Preferred
(Loewi & Co.) $1,750,000

Clark Oil & Refining Corp.—Common
(Loewi & Co.) 25,000 shares

Cooper-Jarrett, Inc.—Common
(Allen & Co.) 125,000 shares

Western States Refining Co.—Debens. & Common
(J. Barth & Co.) $1,102,500

January 31 (Tuesday)

Northwestern Bell Telephone Co.—Debentures
(Bids to be invited) $25,000,000

Southern Mining & Milling Co.—Common
(Franklin Securities Co.) $300,000

Texas Utilities Co.—Common
(Bids 11 a.m. EST) 400,000 shares

February 1 (Wednesday)

Atlantic City Electric Co.—Common
(Union Securities Corp. and Smith, Barney & Co.) 75,000 shares

Chicago & North Western Ry.—Equip. Trust Ctfs.
(Bids noon CST) $3,900,000

Raytone Screen Corp.—Common
(A. J. Grayson & Co., Inc.) $300,000

Reynolds Metals Co.—Preferred
(Dillon, Read & Co. Inc. and Reynolds & Co.) $40,000,000

Royal McBee Corp.—Common
(Offering to stockholders—to be underwritten by Kuhn, Loeb & Co.) 191,884 shares

February 6 (Monday)

General Telephone Co. of California—Preferred
(To be offered under exchange offer—to be underwritten by Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $14,377,240

February 8 (Wednesday)

Radiation, Inc.—Class A Common
(Johnson, Lane, Space & Co., Inc.) $750,000

February 9 (Thursday)

Craig Systems, Inc.—Common
(Hemphill, Noyes & Co.; W. E. Hutton & Co.; and Lee Higginson Corp.) 355,000 shares

February 13 (Monday)

Lowenstein (M.) & Sons, Inc.—Debentures
(Eastman, Dillon & Co.) $40,000,000

Southern California Edison Co.—Preferred
(The First Boston Corp. and Dean Witter & Co.) up to 1,200,000 shares

Western Greyhound Racing, Inc.—Common
(M. J. Reiter Co.) $2,250,000

February 14 (Tuesday)

Central Power & Light Co.—Bonds
(Bids noon EST) $10,000,000

February 15 (Wednesday)

Dallas Power & Light Co.—Bonds
(Bids to be invited) $10,000,000

Elco Corp.—Common
(S. D. Fuller & Co.) $212,500

Pennsylvania Electric Co.—Bonds
(Bids to be invited) $25,000,000

Pennsylvania Electric Co.—Preferred
(Bids to be invited) $9,000,000

February 23 (Thursday)

Southern Indiana Gas & Electric Co.—Common
(Offering to stockholders—may be underwritten by Smith, Barney & Co.) 83,030 shares

February 27 (Monday)

Kansas Gas & Electric Co.—Bonds
(Bids 11 a.m. EST) $7,000,000

Kansas Gas & Electric Co.—Common
(Bids 11 a.m. EST) 200,000 shares

February 28 (Tuesday)

Texas Electric Service Co.—Bonds
(Bids to be invited) $10,000,000

February 29 (Wednesday)

L-O-F Glass Fibers Co.—Common
(Offering to stockholders)

Northern States Power Co.—Common
(Bids to be invited)

March 1 (Thursday)

Colohoma Uranium, Inc.—Common
(General Investing Corp.) $1,000,000

Mississippi Power Co.—Bonds
(Bids to be invited) $4,000,000

Mississippi Power Co.—Preferred
(Bids to be invited) $4,000,000

March 6 (Tuesday)

Bell Telephone Co. of Pennsylvania—Debens.
(Bids to be invited) $35,000,000

March 15 (Thursday)

Alabama Power Co.—Bonds
(Bids to be invited) $14,000,000

March 27 (Tuesday)

New York Telephone Co.—Bonds
(Bids to be invited) $55,000,000

March 29 (Thursday)

Georgia Power Co.—Bonds
(Bids to be invited) $16,000,000

May 1 (Tuesday)

Columbia Gas System, Inc.—Debentures
(Bids to be invited) $40,000,000

DeKalb-Ogle Telephone Co., Sycamore, Ill.
Dec. 30 (letter of notification) 25,695 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To be used for conversion to automatic dial operation. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

Del-Valley Corp.
Dec. 13 (letter of notification) $235,000 of junior lien bonds due in two years from date of issue without interest. **Price**—80% of principal amount. **Proceeds**—To reduce mortgages and for construction cost. **Office**—Cherry Hill, near Camden, N. J. **Underwriter**—Blair & Co. Incorporated, Philadelphia, Pa.

Dennis Run Corp., Oil City, Pa.
Nov. 28 (letter of notification) 46,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To pay bank loans and debts; and for working capital. **Office**—40 National Transit Bldg., Oil City, Pa. **Underwriter**—Grover O'Neill & Co., New York.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

East Basin Oil & Uranium Co.
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

★ **East Seventieth Street Sire Plan, Inc.**
Jan. 11 (letter of notification) 220 units of co-ownership. **Price** — $1,000 per unit. **Proceeds** — To acquire property. **Office**—115 Chambers St., New York 7, N. Y. **Underwriter**—Sire Plan Portfolios, Inc., same address.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

● **Elco Corp., Philadelphia, Pa. (2/15)**
Dec. 28 (letter of notification) 100,000 shares of common stock (par 25 cents) to be issued upon exercise of warrants previously issued. **Price**—At market (estimated at $2.12½ per share). **Proceeds** — For general corporate purposes. **Office**—M. Street, below Erie Ave., Philadelphia, Pa. **Underwriter**—S. D. Fuller & Co., New York, N. Y.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
Dec. 1 filed 240,000 shares of class A (voting) common stock (par $25 cents); 214,285 shares of class B (voting) common stock (par 35 cents); and 300,000 shares of class C (non-voting) common stock (par 50 cents). Of these shares, 40,000 are to be offered to officers, directors and employees of the company. Class A, B and C stock will also be issued to policyholders of the Farm & Home Insurance Co. in exchange for the assignment of their insurance dividends. **Price** — At their respective par values. **Proceeds**—For working capital. **Underwriters**—James E. McNelis and John J. Rhodes.

Farmer's Educational and Co-Operative Union of America, Denver, Colo.
Nov. 23 filed $2,300,000 of registered debentures, series A; $500,000 of registered savings debentures, series B; and $1,200,000 of registered savings debentures, series C. **Price**—At par (in units of $100, $125 and $120, respectively). **Proceeds** — To be loaned to or invested in Union subsidiaries; to retire outstanding indebtedness; and to expand the Union's educational activities. **Underwriter**—None. Debentures to be sold by salesmen, dealers and agents, and by officers, directors and employees of the Union, which is often referred to as National Farmers Union.

Fine Arts Acceptance Corp.
Jan. 3 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$11.50 per share. **Proceeds**—For the purchase of a larger amount of instalment contracts. **Office**—2901 Philadelphia Saving Fund Building, Philadelphia 7, Pa. **Underwriter**—Woodcock, Hess & Co., Inc. and Boenning & Co., both of Philadelphia, Pa.

First Federal Life Insurance Co., Baltimore, Md.
Dec. 21 filed 20,000 shares of capital stock (par $10) to be offered for subscription by class A and class B stockholders of The Finance Co. of America at Baltimore on a 1-for-5 basis. **Price**—$20.50 per share. **Proceeds**—For

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capital and surplus account. **Underwriter** — None, but Louis Eliasberg, Louis Eliasberg, Jr., and Richard A. Eliasberg (President) are committed to purchase any unsubscribed shares.

Fleetwood Motel Corp., Philadelphia, Pa.
Jan. 5 (letter of notification) 24,550 shares of class A common stock and 4,910 shares of class B common stock (both par $1) to be sold in units of one share of class B common and five shares of class A common. **Price**—$6 per unit. **Proceeds**—To be applied toward purchase of real estate, and the erection of the building, furnishings and working capital. **Office**—Suite 808, 121 South Broad St., Philadelphia 7, Pa. **Underwriter**—Woodcock, Hess & Co., Inc., Philadelphia, Pa.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office**—Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, But C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

Fremont Uranium Co., Salt Lake City, Utah
Aug. 1 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—515 Deseret Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., Western States Investment Co., Potter Investment Co., Mid-America Securities, Inc. of Utah, and Cashin-Emery, Inc., all of Salt Lake City, Utah.

Frontier Assurance Co., Phoenix, Ariz.
Dec. 2 (letter of notification) 2,000 shares of class E voting common stock (par $25), to be offered for subscription by holders of class A common stock. **Price**—$36.50 per share. **Proceeds** — For capital and surplus. **Office**—4143 N 19th Ave., Phoenix, Ariz. **Underwriter**—None.

★ Gas Light Co. of Columbus
Jan. 12 (letter of notification) 25,000 shares of common stock (par $5). **Price**—$12 per share. **Proceeds**—To expand plant. **Office**—107—13th St., Columbus, Ga. **Underwriter**—None.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

★ General Telephone Co. of California (2/6)
Jan. 17 filed 718,862 shares of 4½% cumulative preferred stock (par $20), to be offered in exchange for 718,862 shares, a part of the outstanding 1,437,724 shares, of cumulative preferred stock, 5% 1947 series (par $20) on a share-for-share basis; unexchanged new preferred stock to be offered publicly. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

Golden Dawn Uranium Corp., Buena Vista, Colo.
Dec. 27 (letter of notification) 3,000,000 shares of capital stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — Bel-Air Securities Co., Provo, Utah.

★ Great Lakes Growers, Inc., Lake City, Pa.
Jan. 9 (letter of notification) $125,000 of 6% 5-year bonds. **Price**—At par (in denominations of $100 each). **Proceeds** — To refinance existing current indebtedness and for working capital. **Underwriter**—None.

Green (A. P.) Fire Brick Co. (1/24)
Dec. 28 filed 245,007 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Mexico, Mo. **Underwriters**—Blyth & Co., Inc., and Shields & Co., both of New York.

Guaranty Income Life Insurance Co.
Dec. 30 (letter of notification) 24,000 shares of capital stock (par $5) to be offered first to stockholders; then policyholders and the public. **Price**—$10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 2231, Baton Rouge, La. **Underwriter**—None.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

Gulf Natural Gas Corp., New Orleans, La.
Dec. 30 filed $600,000 of 10-year 5% debentures due Jan. 1, 1966. **Price**—100% of principal amount. **Proceeds**—For construction costs. **Underwriter**—None.

Gulf Oil Corp., Pittsburgh, Pa.
Jan. 10 filed 1,534,446 shares of capital stock (par $25) to be offered in exchange for shares of common stock of Warren Petroleum Corp. in the ratio of four shares of Gulf for each five shares of Warren. If, prior to the expiration of the offer, less than 1,753,133 Warren shares (90%) but at least 1,558,340 shares (80%) are deposited thereunder, Gulf may at its option accept all shares of Warren so deposited.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

Hammermill Paper Co., Erie, Pa.
Dec. 20 filed 166,400 shares of common stock (par $2.50) to be offered in exchange for shares of capital stock of Watervliet Paper Co. in the ratio of 26 shares of Hammermill common stock for each 25 shares of Watervliet stock. This offer is subject to acceptance by holders of at least 128,000 shares (80% of outstanding Watervliet stock). **Underwriter**—None.

★ Hathaway (C. F.) Co., Waterville, Me.
Jan. 13 (letter of notification) 23,124 shares of common stock (par $1). **Price**—$10.55 per share. **Proceeds**—To be added to working capital. **Underwriter**—None.

Helio Aircraft Corp., Canton, Mass.
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—To be supplied by amendment.

Helio Aircraft Corp., Canton, Mass.
Nov. 3 (letter of notification) 24,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For administrative and engineering expenses. **Office** — Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

Home Acceptance Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

★ Home Finance Group, Inc., Charlotte, N. C.
Jan. 13 (letter of notification) 42,750 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For working capital. **Office**—119 West 3th St., P. O. Box 779, Charlotte 1, N. C. **Underwriter**—None.

Hometrust Corp., Inc., Montgomery, Ala.
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

Household Gas Service, Inc.
Jan. 6 (letter of notification) 920 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share) and accrued dividends. **Proceeds**—To repay indebtedness and for working capital. **Office** — Clinton, N. Y. **Underwriter**—None.

Hunt Uranium Corp., Green River, Utah
Aug. 22 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining activities. **Underwriter** — Elmer K. Aagaard, 323 Newhouse Bldg., Salt Lake City, Utah.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Incorporated Mortgage Investors
Dec. 7 (letter of notification) $233,000 of 8% registered debentures, due Jan. 1, 1976, and 58,250 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of stock. **Price**—$125 per unit. **Proceeds**—To be invested in the mortgage investment portfolio. **Office**—1012 H St., N. W., Washington, D. C. **Underwriter**—Federal Investment Co., same city.

Indian Monument Uranium Mining Corp.
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter**—Richard L. Dineley, same address.

Inland Mineral Resources Corp., N. Y.
Dec. 12 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—42 Broadway, New York, N. Y. **Underwriter**—G. F. Rothschild & Co., same address.

● Insulated Circuits, Inc., Belleville, N. J.
Nov. 10 filed 100,000 shares of 6% convertible preferred stock (cumulative if and to the extent earned). **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Alexander Watt & Co., Inc., New York.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

International Metals Corp.
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jeb Industries, Los Angeles, Calif.
Dec. 28 (letter of notification) 40,000 shares of common stock. **Price**—At par ($4 per share). **Proceeds**—For payment of accounts payable; increase in inventory; additional working capital, etc. **Office** — 4641 Hollywood Blvd., Los Angeles 27, Calif. **Underwriter** — Marache, Dofflemyre & Co., Los Angeles, Calif.

★ John Paul Enterprises, Inc.
Jan. 10 (letter of notification) 115,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For materials, working capital and general corporate purposes. **Business**—To manufacture and sell a scrubbing brush and mop and a cigarette pack holder. **Office**—150 Broadway, New York, N. Y. **Underwriter**—None. Milton John Poll is Chairman and President.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

★ Lawyers Mortgage & Title Co.
Jan. 11 (letter of notification) 60,412 shares of common stock (par 65 cents) to be offered first to stockholders. Maxwell M. Powell (Vice-President) and Rudolph J. Welti (a director) will purchase up to a total of 10,000 shares each of any unsubscribed shares. **Price**—$1.50 per share. **Proceeds** — For working capital. **Office** — 115 Broadway, New York, N. Y. **Underwriter**—None.

Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds**—For expansion and working capital. **Underwriter**—None.

● Lisbon Uranium Corp. (1/27)
Dec. 26 filed 1,306,209 shares of common stock (par 15¢) to be offered for subscription by common stockholders of record Jan. 27, 1956, at the rate of three new shares for each ten shares held (with an additional subscription privilege); rights to expire on Feb. 10. **Price**—$4 per share. **Proceeds**—To repay advances by Atlas Corp. of approximately $4,039,000, which has or will be used to acquire option to purchase the so-called Barrett claims and pay balance of purchase price; for exploration and drilling expenses, and for other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None, but Wasatch Corp., a subsidiary of Atlas Corp., will purchase any unsubscribed shares.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ Los Gatos Telephone Co., Los Gatos, Calif.
Jan. 9 (letter of notification) 18,737 shares of common stock (par $10). **Price**—$16 per share. **Proceeds** — For equipment and improvements. **Office** — 11 Montebello Way, Los Gatos, Calif. **Underwriter**—None.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

● Maine Fidelity Life Insurance Co. (1/20)
Nov. 10 filed 45,000 shares of capital stock (par $10). **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Office** — Portland, Me. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Manhattan Mercury Corp., Denver, Colo.
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent), of which 1,400,000 shares are for account of company and 100,000 shares for certain stockholders. **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

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Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif.

★ **Members Merchandise Mart, Inc., Houston, Tex.**
Jan. 10 (letter of notification) 24,000 shares of class B common stock. **Price**—At par ($5 per share). **Proceeds**—To purchase merchandise for resale. **Office**—3820 Almeda Road, Houston, Texas. **Underwriter**—None.

★ **Midland Cooperatives, Inc., Minneapolis, Minn.**
Jan. 9 (letter of notification) $250,000 of 5% subordinated debenture notes. **Price**—At par (in denominations of $100 each). **Proceeds** — For redemption of preferred stock, series C and D. **Office**—739 Johnson St., N. E. Minneapolis, Minn. **Underwriter**—None.

★ **Midland General Hospital, Inc., Bronx, N. Y.**
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

Monitor Exploration Co., Denver, Colo.
Dec. 9 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—623 First National Bank Building, Denver 2, Colo. **Underwriter**—Globe Securities Corp., Jersey City, N. J.

Mt. Vernon Mining & Development Co.
Nov. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—422 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Ackerson-Hackett Investment Co., 701 Continental Bank Bldg., same city.

National Lithium Corp., Denver, Colo.
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

★ **National Motel Credit Corp.**
Jan. 13 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To provide funds for operating expenses for the first year and for working capital. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Indefinitely postponed.

★ **National Tank Co., Tulsa, Oklahoma**
Jan. 11 (letter of notification) 4,500 shares of common stock (par $1). **Price**—$21.50 per share. **Proceeds**—To selling stockholders. **Office**—Sand Springs Road and 31st W. Avenue, Tulsa, Okla. **Underwriter** — Schneider, Bernet & Hickman, Inc., Dallas, Texas.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500.000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver. Colo.

★ **New South Textile Mills, Jackson, Miss.**
Jan. 13 filed 2,298,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For acquisition of properties and general corporate purposes. **Underwriter**—To be named by amendment.

★ **Nicholson (W. H.) & Co., Wilkes-Barre, Pa.**
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None.

North Pittsburgh Telephone Co., Gibsonia, Pa.
Jan. 6 (letter of notification) 4,000 shares of common stock to be offered for subscription by stockholders. **Price**—At par ($25 per share). **Proceeds**—To be used to reduce the demand notes outstanding. **Office**—Gibsonia, Allegheny County, Pa. **Underwriter**—None.

Northwestern Bell Telephone Co. (1/31)
Jan. 6 filed $25,000,000 of 40-year debentures due Feb. 1, 1996. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent, and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Expected to be received on or about Jan. 31.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

• **Ohio Water Service Co.**
Dec. 19 (letter of notification) 12,157 shares of common stock being offered for subscription by common stockholders of record Jan. 10 on a 1-for-10 basis; rights to expire on Jan. 31. **Price**—$23 per share. **Proceeds**—For construction program. **Underwriter** — Blair F. Claybaugh & Co., Harrisburg, Pa.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Outboard, Marine & Manufacturing Co.
Dec. 15 filed 313,845 shares of common stock (par 83⅓ cents), of which 213,845 shares are being offered for subscription by common stockholders of record Jan. 4, 1956 on the basis of one new share for each 10 shares held (rights to expire on Jan. 23); the remaining 100,000 shares were on Jan. 5 sold to the public for the account of two selling stockholders. **Price**—To stockholders $37.50 per share; and to public $42.50 per share. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Penn Precision Products, Inc., Reading, Pa.
Nov. 3 (letter of notification) 3,857 shares of common stock (no par), of which 2,000 shares are to be offered for subscription by existing stockholders at $12 per share, and 1,857 shares to non-stockholders who are residents of Pennsylvania at $14 per share. **Proceeds**—For purchase of mill. **Office** — 501 Crescent Ave., Reading, Pa. **Underwriter**—None.

Penn-Utah Uranium, Inc., Reno, Nev.
Aug. 4 (letter of notification) 2,000,000 shares of common stock (par three cents). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—206 N. Virginia Street, Reno, Nev. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

★ **Piasecki Aircraft Corp., Philadelphia, Pa.**
Jan. 17 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To repay outstanding notes and for working capital. **Underwriter**—Emanuel, Deetjen & Co., New York.

Piedmont Label Co., Inc., Bedford, Va.
Dec. 19 (letter of notification) 8,000 shares of common stock to be offered for subscription by stockholders on the basis of one share for each 3¾ shares held; unsubscribed shares to be offered to public. **Price**—$14 per share to stockholders and $15 to public. **Proceeds**—To finance construction of an addition to plant re. printing of lithographed labels for cans, bottles, boxes, etc. **Office**—311 West Depot St., Bedford, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Pierce & Stevens Chemical Corp. (1/20)
Jan. 6 (letter of notification) 27,000 shares of class B (non-voting) capital stock (par $3.33⅓). **Price** — $11 per share. **Proceeds**—To ten selling stockholders. **Office**—710 Ohio St., Buffalo 3, N. Y. **Underwriter**—Doolittle & Co., same city.

Pipelife Corp., Tulsa, Okla.
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co., Tulsa, Okla.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% noncumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

Prudential Loan Corp., Washington, D. C.
Nov. 22 filed 111,000 shares of 44-cent cumulative prior preferred stock (par $5) and 55,500 shares of 10-cent par common stock to be offered in units of one share of preferred stock and one-half share of common stock. **Price**—$6.75 per unit. **Proceeds**—For general corporate purposes. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

★ **Radiation, Inc., Melbourne, Fla. (2/8)**
Jan. 13 filed 150,000 shares of class A common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To retire unsecured notes; to expand facilities; for working capital, etc. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

• **Raytone Screen Corp. (2/1)**
Jan. 9 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To pay current liabilities and for working capital. **Business**—Manufacture and sale of motion picture theatre screens and distribution of screen paint. **Office** — 165 Clermont Ave., Brooklyn 5, N. Y. **Underwriter**—A. J. Grayson & Co., Inc., Hempstead and New York, N. Y.

Real Estate Clearing House, Inc.
Sept. 14 (letter of notification) 270,000 shares of 7% cumulative preferred stock (par $1) and 135,000 shares of common stock (par five cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$2.05 per unit. **Proceeds**—For working capital, etc. **Office**—161 West 54th Street, New York, N. Y. **Underwriter**—Choice Securities Corp., 35 East 12th Street, New York, N. Y.

★ **Refined Syrups & Sugars, Inc.**
Jan. 12 (letter of notification) 5,240 shares of common stock (par $5). **Proceeds**—Totaling $34,560 to be used for general corporate purposes. **Office** — Vark St., Yonkers, N. Y. **Underwriter**—None.

Reno Hacienda, Inc., Inglewood, Calif.
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

★ **Reynolds Metals Co. (2/1)**
Jan. 11 filed 800,000 shares of cumulative preferred stock, series A (par $50). **Price** — To be supplied by amendment. **Proceeds**—From this sale, together with funds to be received from sale of $60,000,000 first mortgage bonds to institutional investors and the borrowing of $15,000,000 from commercial banks, to be used to finance construction of company's seventh aluminum reduction plant. **Underwriters**—Dillon, Read & Co. Inc. and Reynolds & Co., both of New York.

Reynolds Mining & Development Corp.
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter** — The Matthew Corp., Washington, D. C.

Riddle Airlines, Inc., Miami, Fla.
Dec. 20 filed 967,500 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each four shares held (with an oversubscription privilege). [The company has obtained from certain stockholders waivers of subscription rights applicable to not less than 100,000 shares and such shares are to be offered to the general public free of the stockholders' prior rights.] **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None.

Rowan Controller Co., Baltimore, Md.
Dec. 20 (letter of notification) 6,935 shares of common stock (par $10) to be offered for subscription by stockholders. **Price**—$14 per share. **Proceeds**—For development of new products and working capital re. manufacture and sale of electrical controllers. **Office**—2313-2315 Homewood Ave., Baltimore, Md. **Underwriter**—None.

★ **Royal McBee Corp., New York (2/1)**
Jan. 12 filed 191,884 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 31, 1956 at the rate of one new share for each seven shares held; rights to expire on Feb. 14. **Price**—To be supplied by amendment. **Proceeds**—For equipment and working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

San Juan Racing Association, Inc., Puerto Rico.
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

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San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of non-assessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

Sans Souci Hotel, Inc., Las Vegas, Nev.
Nov. 9 filed 1,428,000 shares of common stock (of which 1,097,529 shares are to be offered for subscription by stockholders at rate of 1⅔ shares for each share held; 30,471 shares are to be issued in payment for claims of seven individuals and firms aggregating $30,471; and 300,000 shares are to be offered by George E. Mitzel, President of company). **Price**—$1 per share. **Proceeds**—For construction of new facilities; to pay off notes; and for working capital. **Underwriter**—None.

● **Sayre & Fisher Brick Co. (1/23-27)**
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter** — Barrett Herrick & Co., Inc., New York City.

Science Press of New Jersey, Inc.
Nov. 10 (letter of notification) 15,620 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For building, equipment, working capital, etc. **Office**—Spur Route 518, a mile west of the Borough of Hopewell, County of Mercer, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

Shangrila Uranium Corp.
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—Western States Investment Co., Tulsa, Okla.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

Shumway's Broken Arrow Uranium, Inc.
Nov. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Moab, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Salt Lake City, Utah.

● **Silvray Lighting, Inc. (1/24)**
Dec. 16 filed 225,000 shares of common stock (par 25 cents), of which 75,000 shares are to be for the account of the company and 150,000 shares for the account of certain selling stockholders. **Price**—To be $3 per share. **Proceeds** — To be used for expansion and working capital. **Underwriter** — Milton D. Blauner & Co., Inc., New York.

Southern Mining & Milling Co. (1/31)
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

● **Southern Oxygen Co., Bladensburg, Md.**
Dec. 29 filed $1,250,000 of convertible subordinated debentures due Feb. 1, 1966. **Price** — To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Union Securities Corp., New York. **Offering**—Expected latter part of February.

Southwest Gas Corp., Barstow, Calif.
Dec. 23 filed 44,208 shares of common stock (par $1). **Price** — $11 per share. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—First California Co., Inc., San Francisco, Calif.

Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

★ **Stratapark, Inc., Spokane, Wash.**
Jan. 9 (letter of notification) 98,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To construct a commercial unit in Spokane and for purpose of demonstrating the practicability of the invention upon which it is based; and for working capital. **Office**—716 Peyton Bldg., Spokane, Wash. **Underwriters**—Vaughn A. Sanders and Henry Vorlicky, both of Spokane, Wash.

Strategic Metals, Inc., Tungstonia, Nevada
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

Sulphur Exploration Co., Houston, Texas
Nov. 21 filed 600,000 shares of 6% convertible non-cumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

Swank Uranium Drilling & Exploration Co.
Aug. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—Moab, Utah. **Underwriter**—Honnold & Co., Inc., Salt Lake City, Utah.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of non-assessable stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

Tenison Drilling Co., Inc., Billings, Mont.
Dec. 12 filed 400,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For drilling test costs, payment of notes and accounts payable and loans and for general working capital. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

Texas American Oil Corp.
Nov. 3 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For drilling expenses, etc. **Office**—216 Central Bldg., Midland, Tex. **Underwriter**—Kramer, Woods & Co., Inc., Houston, Tex.

Texas Eastern Transmission Corp.
Nov. 30 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Toward redemption of presently outstanding 190,000 shares of 5.50% first preferred stock. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Temporarily postponed.

Texas Utilities Co., Dallas, Tex. (1/31)
Jan. 5 filed 400,000 shares of common stock (no par). **Proceeds**—For further investment in common stocks of subsidiaries and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 31, at Room 2033, Two Rector St., New York, N. Y.

● **Textron American, Inc. (1/25)**
Dec. 29 filed $30,000,000 of 5% convertible subordinated debentures due Jan. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—To finance non-textile diversification program. **Underwriter**—Blair & Co Incorporated, New York.

Trans-American Development Corp.
Nov. 14 (letter of notification 45,000 shares of 8% cumulative preferred stock (par $1) and 45,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For working capital. **Office**—5225 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Tri-Continental Corp., New York
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

Trinidad Brick & Tile Co.
Dec. 14 (letter of notification) 800 shares of common stock (par $100); and $75,000 of 6% construction notes due Dec. 15, 1963. **Price**—At par. **Proceeds**—For paying notes payable and accounts payable and operating capital. **Office**—Trinidad, Colo. **Underwriters**—Fairman, Harris & Co., Inc., Chicago, Ill.

Tunacraft, Inc., Kansas City, Mo.
Aug. 22 (letter of notification) $295,000 principal amount of 6% 12-year registered subordinated sinking fund debentures, dated Sept. 1, 1955 (with stock purchase warrants). **Price**—At par (in denominations of $100 each or multiples thereof). **Proceeds**—To refinance and discharge secured obligation. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

Underwriters Factors Corp.
Dec. 7 (letter of notification) 29,500 shares of 6⅜% participating convertible preferred stock (par $10) and 2,950 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $100.01 per unit. **Proceeds** — To increase working capital. **Office** — 51 Vesey St., New York, N. Y. **Underwriter**—New York and American Securities Co., 90 Wall St., New York, N. Y.

★ **United Drive-In Theatres Corp.**
Jan. 16 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share.. **Proceeds**—To build and operate outdoor motion picture drive-in theatres on two sites to be purchased. **Office**—215 East 149th St., New York 51, N. Y. **Underwriter**—L. J. Mack & Co., Inc., New York.

U. S. Automatic Machinery & Chemical Corp.
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York.

U. S. Suburban Estates, Inc.
Dec. 29 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For purchase of land, payment of mortgage, development of lake area and other corporate purposes. **Office** — c/o Schwartz, Gilman & Gold, 147 — 16 Jamaica Ave., Jamaica, L. I., N. Y. **Underwriter**—Robert V. Maguire Co., New York, N. Y.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price** — $2.50 per share. **Proceeds** — For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

★ **Victor Mining & Milling Corp.**
Jan. 10 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Address**—Box 8834, Britton Station, Oklahoma City 14, Okla. **Underwriter**—S. M. Stauffer, President of company.

Wagon Box Uranium Corp., Provo, Utah
Nov. 21 filed 2,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To explore and acquire claims, for purchase of equipment and for working capital and other corporate purposes. **Underwriter**—H. P. Investment Co., Provo, Utah and Honolulu, Hawaii.

Warrior Mining Co., Birmingham, Ala.
Sept. 29 (letter of notification) 6,000,000 shares of non-assessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

★ **Wendover Building Corp., Beverly Hills, Calif.**
Jan. 9 (letter of notification) 2,950 shares of capital stock (no par). **Price**—$100 per share. **Proceeds**—For working capital. **Office** — 233 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Real Property Investments, Inc., same address.

Western Greyhound Racing, Inc. (2/13-17)
Dec. 19 filed 1,950,000 shares of common stock (par one cent), of which 1,800,000 shares are to be offered publicly. **Price**—$1.25 per share. **Proceeds**—To purchase assets of Arizona Kennel Club, and for working capital and other general corporate purposes. **Office**—Phoenix, Ariz. **Underwriter**—M. J. Reiter Co., New York.

Western States Refining Co. (1/30)
Dec. 14 filed $1,050,000 10-year 6% sinking fund debentures due Jan. 1, 1966, and 105,000 shares of common stock (par 25 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$52.50 per unit. **Proceeds**—For construction and installation of a Houdriformer cracking unit; expansion of refinery; to repay outstanding obligations; and for working capital. **Office**—North Salt Lake, Utah. **Underwriter**—J. Barth & Co., San Francisco, Calif.

Wonder Mountain Uranium, Inc., Denver, Colo.
Aug. 12 (letter of notification) 2,380,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—414 Denver Nat'l Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., Denver, Colo.

Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg.,

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Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.
Dec. 6 (letter of notification) 273,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—268 Main St., Lander, Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

Wyton Oil & Gas Co., Newcastle, Wyo.
Sept. 29 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. **Offering**—Indefinitely postponed.

York-Hoover Corp., York, Pa.
Jan. 4 (letter of notification) 11,020 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For additional working capital. **Underwriter**—E. W. Clark & Co., York, Pa.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares off class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

Alabama Power Co. (3/15)
Dec. 14 it was announced company plans to issue and sell $14,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Equitable Securities Corp., Union Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received on March 15. **Registration**—Planned for Feb. 17.

Automatic Washer Corp.
Dec. 5 it was reported company plans early registration of 250,000 shares of common stock (par $1.50). **Underwriter**—Cohen, Simonson & Co., New York.

Bangor & Aroostock RR.
Dec. 19 it was announced company may issue and sell early in 1956 up to 29,761 shares of common stock to its stockholders who on Jan. 17 approved the proposed refinancing program. **Proceeds**—Together with funds from private sale of $8,000,000 new 4¼% prior lien bonds, to redeem $10,400,000 outstanding 4½% first mortgage bonds. **Underwriter**—May be The First Boston Corp., New York.

★ Bank of America, N. T. & S. A.
Jan. 17 it was announced the company plans to offer 1,600,000 additional shares of capital stock to stockholders in the ratio of one new share for each 15 shares held, subject to approval of stockholders on March 6. **Price**—To be determined later. **Proceeds**—For expansion, etc. **Underwriters**—Blyth & Co., Inc. and Dillon, Read & Co. Inc.

Bell Telephone Co. of Pennsylvania (3/6)
Jan. 6 it was reported company is planning to issue and sell $35,000,000 of debentures to be dated March 1, 1956. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); White, Weld & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on March 6.

★ California Water & Telephone Co.
Jan. 13 it was announced company has applied to California P. U. Commission for authority to issue and sell publicly 150,000 shares of common stock (par $12.50) and 80,000 shares of preferred stock (par $25) privately. **Proceeds** — To reimburse the treasury for construction and improvement expenditures. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Central of Georgia Ry. (1/25)
Bids are expected to be received by the company up to noon (EST) on Jan. 25 for the purchase from it of $4,680,000 equipment trust certificates, series B, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.

● Central Power & Light Co. (2/14)
Jan. 13 it was announced company has applied to SEC for authority to issue and sell $10,000,000 of its first mortgage bonds, series G, due Feb. 1, 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to noon (EST) on Feb. 14.

● Chemical Corn Exchange Bank
Jan. 17 stockholders authorized 590,425 additional shares of capital stock (par $10), which are to be offered to stockholders on the basis of one new share for each eight shares held. The time and price is subject to determination by the directors. **Proceeds**—To increase capital and surplus. **Underwriters**—Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co.

★ Chicago & North Western Ry. (2/1)
Bids will be received by the company up to noon (CST) on Feb. 1, at 400 West Madison St., Chicago 6, Ill., for the purchase from it of $3,900,000 of equipment trust certificates to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Citizens & Southern National Bank, Atlanta, Ga. (1/20)
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held as of Jan. 20, 1956; rights to expire on March 2. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

★ Columbia Gas System, Inc. (5/1)
Jan. 9 it was reported company plans to issue and sell $40,000,000 of 25-year debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on May 1.

Consolidated Freightways, Inc.
Dec. 21 it was announced corporation plans to offer new common shares to preferred stockholders at market prices payable with funds to be received March 15, 1956 from the redemption of the preferred stock. **Underwriter**—Probably Blyth & Co., Inc., San Francisco, Calif.

★ Consolidated Water Co.
Jan. 16, Frank A. O'Neill, President, announced that the company sometime between now and the summer of 1956, will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. underwrote class A common stock offering made last August.

Delaware Power & Light Co.
Sept. 28 it was announced that the company expects to undertake some common stock financing early in 1956, probably first to stockholders. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades & Co.; Blyth & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers.

Dolly Madison International Foods Ltd.
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

Duquesne Light Co.
Nov. 28, it was announced SEC has authorized Standard Power & Light Corp. to sell not more than 10,000 shares of the common stock of Duquesne Light Co. on the New York Stock Exchange by negotiated sale to a purchaser who will buy at the prevailing market prices, less a discount of not more than 50 cents per share.

Empire Petroleum Co., Denver, Colo.
Jan. 7 E. M. Stone, President, announced company plans early registration of $2,000,000 of debentures. **Proceeds**—Together with funds from private placement of $1,000,000 of senior debentures, to be used for working capital and additional refining equipment at both refineries. **Underwriter**—May be Julius Maier Co., Inc., Jersey City, N. J.

Federal Pacific Electric Co.
Dec. 13 it was announced directors are considering an issue of subordinated income debentures or possibly preferred stock, together with common stock purchase warrants. **Proceeds** — About $2,000,000, together with $2,000,000 from private sale of notes, to repay bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

Flo-Mix Fertilizers Corp., Houma, La.
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 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. **Offering**—Expected early in 1956.

Georgia Power Co. (3/29)
Dec. 14 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on March 29. **Registration**—Planned for March 2.

★ Glasscock (C. G.)-Tidelands Oil Co.
Jan. 9 it was reported company may soon file a registration statement with the SEC covering a proposed issue of about $9,000,000 of new securities (debt and equity). **Underwriters**—First California Co. Inc.; Eastman, Dillon & Co.; and William E. Staats & Co.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **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. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Houston Lighting & Power Co.
Oct. 31 it was reported company may sell early next year about $30,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Offering** — Expected in February or March.

Hudson Pulp & Paper Corp.
Nov. 28 it was reported company may do some public financing in connection with proposed newsprint mill, which, it is estimated, will cost about $25,000,000. **Underwriter**—Lee Higginson Corp., New York.

Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

★ Inter-County Telephone & Telegraph Co. of Ft. Myers, Fla.
Jan. 16 it was reported company is considering to offer publicly an issue of common stock. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Kansas Gas & Electric Co. (2/27)
Dec. 27 it was reported company plans to issue and sell $7,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and

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Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27. **Registration**—Scheduled for Jan. 27.

Kansas Gas & Electric Co. (2/27)
Dec. 27 it was reported company plans to issue and sell 200,000 additional shares of common stock. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27. **Registration**—Scheduled for Jan. 27.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

Lincoln Rochester Trust Co.
Dec. 19 it was announced stockholders will vote Jan. 25 on proposed offering to stockholders of 100,000 additional shares of common stock (par $20) on a 1-for-4 basis. **Underwriter**—The First Boston Corp., New York.

L-O-F Glass Fibers Co. (2/29)
Jan. 11 it was announced company plans to offer to its common stockholders of record on or about Feb. 29, 1956 the right to subscribe for additional common stock at the rate of one new share for each 10 shares held; rights to expire on or about March 26, 1956. Company is a subsidiary of Libbey-Owens-Ford Glass Co. **Price**—Expected to be $12 per share. **Underwriter**—May be McCormick & Co., Chicago, Ill. **Registration**—Planned for around Feb. 10.

Louisiana Power & Light Co.
Dec. 19 it was announced company plans some financing during 1956 (probably bonds). **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Equitable Securities Corp. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly).

★ Lowenstein (M.) & Sons, Inc. (2/13-17)
Jan. 16 it was reported early registration is expected of $40,000,000 25-year convertible sinking fund debentures due 1981. **Proceeds**—To pay balance of cost of purchase from Burlington Industries, Inc. of their Pacific Mills cotton division; to redeem 54,984 outstanding shares of 4¼% cumulative convertible preferred stock, series A, at $104 per share; and to repay bank loans. **Underwriter**—Eastman, Dillon & Co., New York.

• Mercantile National Bank of Dallas
Jan. 10 stockholders were to vote on approving a proposed offering to stockholders of 150,000 additional shares of capital stock. **Price**—$25 per share. **Underwriters**—Rauscher, Pierce & Co., Inc., and First Southwest Co., both of Dallas, Texas.

★ Merchants National Bank of New Bedford, Mass.
Jan. 18, the Bank offered to its stockholders of record Jan. 17 the right to subscribe on or before Feb. 1 for 20,000 additional shares of capital stock (par $10) on the basis of one share for each 1½ shares of capital stock (par $20) now held. Each of the presently outstanding 30,000 $20 par shares are being exchanged for two $10 par shares, and one additional $10 par share is being issued as a stock dividend. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

Mississippi Power Co. (3/1)
Nov. 3 it was announced company plans to issue and sell $4,000,000 of first mortgage bonds and 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kidder, Peabody & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly). (2) For preferred stock—W. C. Langley & Co.; Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on March 1. **Registration**—Planned for Feb. 3.

Modern Homes Corp. (Mich.)
Nov. 21 it was reported company may offer publicly $1,000,000 of convertible debentures and some common stock. **Business** — Manufactures prefabricated homes. **Offices**—Dearborn, Mich., and Port Jervis, N. J. **Underwriter**—Probably Campbell, McCarty & Co., Inc., Detroit, Mich.

Narragansett Electric Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); Union Securities Corp.; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received sometime in March, 1956.

New England Electric System
Jan. 3 it was announced company plans to offer to its stockholders 834,976 additional shares of common stock on the basis of one new share for each 12 shares held. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected sometime in May, 1956.

New England Electric System
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

• New York Central RR.
Dec. 15 company received ICC authority to sell $6,600,000 3½% equipment trust certificates to mature Dec. 15, 1956-1970 to Despatch Shops, Inc., a wholly-owned subsidiary, with latter to ultimately offer the certificates through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

New York, New Haven & Hartford RR.
Dec. 21 stockholders approved a plan of exchange providing for the issuance (a) of not exceeding $58,131,150 of new unsecured non-convertible 100-year 5% debentures, dated Jan. 1, 1956, in exchange for present $55,363,000 par value 5% convertible preferred stock, series A, on the basis of $105 of debentures for each $100 par value of preferred stock, plus $5.25 in cash ($5 of which will be paid as dividend on preferred for year 1955); and (b) of $72,638,265 of new 5% non-convertible general income mortgage bonds, series B, dated Jan. 1, 1956, in exchange for present $69,179,300 of 4½% convertible general income mortgage bonds, series A, due July 1, 2022, on the basis of $105 of new series B bonds for each $100 of series A bonds plus $5.25 in cash, which will include 1955 interest. **Dealer-Manager**—Francis I. du Pont & Co., New York.

New York Telephone Co. (3/27)
Jan. 9 Keith S. McHugh, President, announced that the directors have authorized the sale of $55,000,000 of refunding mortgage bonds. **Proceeds**—Together with funds from sale of 1,100,000 additional shares of common stock at $100 per share to American Telephone & Telegraph Co., to be used to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on March 27.

• Northern Pacific Ry. (1/24)
Bids are to be received in New York City up to noon (EST) on Jan. 24 for the purchase from the company of $6,060,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.) (2/29)
Dec. 12 it was reported that company plans to issue and sell some additional common stock (probably first to stockholders). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., and Kuhn, Loeb & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. **Bids**—Expected to be received on Feb. 29.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Pennsylvania Electric Co. (2/15)
Dec. 19 it was reported company plans to issue and sell about $25,000,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected Feb. 15.

Pennsylvania Electric Co. (2/15)
Dec. 19 it was reported company proposes issuance and sale of $9,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected Feb. 15.

Pigeon Hole Parking of Texas, Inc.
Oct. 22 it was announced that about 800,000 shares of additional capital stock would be offered for public sale after the first of January. **Proceeds** — Estimated at about $2,000,000, will be used to pay for expansion program. **Underwriters**—Porter, Stacy & Co., Houston, Tex.; and Muir Investment Corp., San Antonio, Tex.

Plantation Pipe Line Co.
Dec. 19 it was announced that company may do some financing in 1956 in connection with its proposed expansion, costing about $23,500,000. **Underwriter**—Morgan Stanley & Co., New York.

Riverton Lime & Stone Co., Inc., Riverton, Va.
Dec. 19 it was reported company plans to finance its expansion, which, it is estimated, will cost between $9,000,000 and $10,000,000, part by private placement, and part publicly. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

★ Rokeach & Sons, Inc., New York
Jan. 16 it was reported company plans to issue and sell 400,000 shares of common stock. **Price**—Expected to be $3 per share. **Underwriter**—Jay W. Kaufmann & Co., New York.

★ Rotary Electric Steel Co., Detroit, Mich.
Jan. 18 it was announced stockholders will vote March 21 on increasing the authorized common stock (par $10) from 750,000 shares to 2,500,000 shares. There are presently outstanding 696,700 shares. Part of the increased stock will be offered for subscription by stockholders. The ratio, subscription price and other details will be determined later. **Underwriters**—Previous financing was handled by W. E. Hutton & Co., Cincinnati, Ohio; Hemphill, Noyes & Co. and E. H. Rollins & Sons, Inc. (now Blair & Co. Incorporated,), both of New York; and Stein Bros. & Boyce, Baltimore, Md. **Registration**—Expected to be filed in February.

Ryder System, Inc.
Jan. 9 J. A. Ryder, President and Chairman, announced that the company is planning to issue and sell 151,050 additional shares of common stock. **Proceeds**—To help finance purchase of four other truck lines. **Underwriter**—Blyth & Co., Inc., New York.

Seattle-First National Bank, Seattle
Nov. 22 it was announced bank plans to offer its stockholders of record Jan. 18, 1956, the right to subscribe on or before Feb. 24 for 100,000 additional shares of capital stock (par $20) on the basis of one new share for each eight shares held. **Price**—To be not less than $85 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Seattle, Wash.

• Southern California Edison Co. (2/13-17)
Jan. 17 the California P. U. Commission approved an application for exemption from competitive bidding of a proposed new issue of up to 1,200,000 shares of cumulative preferred stock. **Proceeds**—To retire outstanding bank loans and for construction program. **Underwriters**—The First Boston Corp. and Dean Witter & Co. **Offering**—Expected during the middle of February.

Southern Indiana Gas & Electric Co. (2/23)
Dec. 20 company sought permission from the Indiana P. S. Commission for authority to offer to its common stockholders of record Feb. 21, 1956, an additional 83,030 shares of common stock on the basis of one new share for each 11 shares held. Rights are to expire on March 8. **Underwriter**—Smith, Barney & Co., New York, underwrote previous rights offering. **Registration**—Expected about Feb. 2.

Tennessee Gas Transmission Co.
Dec. 29 it was announced company plans a public offering in the first quarter of 1956 of a new issue of second preferred stock. Stockholders on Feb. 7 will vote on approving an authorized issue of 1,000,000 shares of this new second preferred stock, which would be issued from time to time, in series. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Electric Service Co. (2/28)
Nov. 28 it was reported company plans to issue and sell $10,000,000 first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively scheduled for Feb. 28.

• Union Planters National Bank
Jan. 11 the Bank offered to stockholders the right to subscribe for 60,000 additional shares of capital stock (par $10) on the basis of one new share for each 10 snares held Jan. 11, 1956; rights to expire Feb. 1. **Price**—$35 per share. **Office**—Memphis, Tenn. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Westcoast Transmission Co., Ltd.
Nov. 21 it was reported company now plans to issue and sell publicly over $20,000,000 of securities, probably in units of debentures and stock. Bonds are expected to be placed privately. **Proceeds**—For new pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 22	§97.1	*98.6	96.9	83.2
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 22	§2,391,000	*2,428,000	2,338,000	2,008,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 6	7,026,450	6,987,050	6,922,500	6,574,400
Crude runs to stills—daily average (bbls.)	Jan. 6	¶8,020,000	7,907,000	7,618,000	7,389,000
Gasoline output (bbls.)	Jan. 6	27,179,000	27,249,000	26,546,000	25,392,000
Kerosene output (bbls.)	Jan. 6	2,444,000	2,475,000	2,437,000	2,844,000
Distillate fuel oil output (bbls.)	Jan. 6	13,501,000	13,207,000	11,863,000	12,444,000
Residual fuel oil output (bbls.)	Jan. 6	8,895,000	9,366,000	8,518,000	8,876,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 6	169,012,000	*165,268,000	158,374,000	160,956,000
Kerosene (bbls.) at	Jan. 6	26,345,000	27,437,000	32,005,000	28,465,000
Distillate fuel oil (bbls.) at	Jan. 6	107,269,000	112,792,000	134,413,000	105,132,000
Residual fuel oil (bbls.) at	Jan. 6	39,719,000	39,872,000	42,767,000	52,065,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 7	611,299	574,663	727,228	597,352
Revenue freight received from connections (no. of cars)	Jan. 7	595,870	562,975	664,474	563,920
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 12	$461,828,000	$160,459,000	$348,805,000	$414,944,000
Private construction	Jan. 12	222,265,000	59,770,000	175,233,000	232,952,000
Public construction	Jan. 12	239,563,000	100,689,000	173,572,000	181,992,000
State and municipal	Jan. 12	167,708,000	73,869,000	151,411,000	84,089,000
Federal	Jan. 12	71,855,000	26,820,000	22,161,000	97,903,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 7	9,270,000	9,100,000	10,815,000	8,510,000
Pennsylvania anthracite (tons)	Jan. 7	459,000	479,000	562,000	489,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 7	94	*88	235	106
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 14	11,594,000	11,057,000	11,602,000	9,928,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 12	245	198	247	200
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 11	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Jan. 11	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Jan. 11	$53.67	$53.33	$52.17	$34.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 11	43.575c	43.575c	44.200c	29.700c
Export refinery at	Jan. 11	45.100c	44.925c	43.725c	31.500c
Straits tin (New York) at	Jan. 11	106.125c	108.500c	109.000c	86.125c
Lead (New York) at	Jan. 11	16.500c	16.270c	15.500c	15.000c
Lead (St. Louis) at	Jan. 11	16.300c	16.300c	15.300c	14.800c
Zinc (East St. Louis) at	Jan. 11	13.500c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 17	95.48	95.08	95.19	97.72
Average corporate	Jan. 17	107.62	107.27	106.74	110.34
Aaa	Jan. 17	111.07	110.70	109.79	114.66
Aa	Jan. 17	109.60	109.24	108.70	112.00
A	Jan. 17	107.62	107.27	106.74	110.15
Baa	Jan. 17	102.46	102.30	101.97	104.83
Railroad Group	Jan. 17	105.69	105.34	105.00	108.52
Public Utilities Group	Jan. 17	107.93	107.62	107.09	110.88
Industrials Group	Jan. 17	108.88	108.70	108.16	111.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 17	2.84	2.87	2.87	2.66
Average corporate	Jan. 17	3.30	3.32	3.35	3.15
Aaa	Jan. 17	3.11	3.13	3.18	2.92
Aa	Jan. 17	3.19	3.21	3.24	3.06
A	Jan. 17	3.30	3.32	3.35	3.16
Baa	Jan. 17	3.60	3.61	3.63	3.46
Railroad Group	Jan. 17	3.41	3.43	3.45	3.25
Public Utilities Group	Jan. 17	3.28	3.30	3.33	3.12
Industrials Group	Jan. 17	3.23	3.24	3.27	3.08
MOODY'S COMMODITY INDEX	Jan. 17	402.0	404.6	406.2	414.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 7	264,364	290,959	264,700	249,382
Production (tons)	Jan. 7	182,195	211,615	285,519	204,172
Percentage of activity	Jan. 7	92	56	102	86
Unfilled orders (tons) at end of period	Jan. 7	658,142	577,240	638,940	406,002
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 13	107.54	107.50	107.14	106.61
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	Dec. 24	1,090,709	1,053,400	868,377	1,036,822
Dollar value	Dec. 24	$58,484,761	$55,172,447	$49,353,310	$50,161,993
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 24	1,050,447	994,765	769,032	1,173,155
Customers' short sales	Dec. 24	6,552	6,646	5,971	7,016
Customers' other sales	Dec. 24	1,043,895	988,119	763,061	1,166,139
Dollar value	Dec. 24	$52,104,771	$48,269,166	$39,344,687	$52,646,036
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 24	306,670	311,700	214,760	398,980
Short sales	Dec. 24	------	------	------	------
Other sales	Dec. 24	306,670	311,700	214,760	398,980
Round-lot purchases by dealers—					
Number of shares	Dec. 24	386,900	343,460	320,110	284,400
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 24	489,140	414,230	375,550	550,440
Other sales	Dec. 24	12,042,720	12,338,630	9,749,740	14,514,540
Total sales	Dec. 24	12,531,860	12,752,860	10,125,290	15,064,980
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 24	1,556,570	1,508,740	1,157,490	1,612,870
Short sales	Dec. 24	230,980	18 ,530	188,990	250,440
Other sales	Dec. 24	1,212,090	1,250,310	1,037,560	1,285,780
Total sales	Dec. 24	1,443,070	1,440,240	1,226,550	1,536,220
Other transactions initiated on the floor—					
Total purchases	Dec. 24	340,120	369,650	238,870	505,160
Short sales	Dec. 24	18,760	12,300	14,420	23,500
Other sales	Dec. 24	288,390	346,690	250,490	429,010
Total sales	Dec. 24	307,150	358,990	264,910	452,510
Other transactions initiated off the floor—					
Total purchases	Dec. 24	690,190	929,440	411,745	622,661
Short sales	Dec. 24	126,780	98,610	72,040	99,200
Other sales	Dec. 24	599,331	842,636	441,025	630,982
Total sales	Dec. 24	726,111	941,246	513,065	730,182
Total round-lot transactions for account of members—					
Total purchases	Dec. 24	2,586,880	2,807,830	1,808,105	2,740,691
Short sales	Dec. 24	376,520	300,840	275,450	373,140
Other sales	Dec. 24	2,099,811	2,439,636	1,729,075	2,345,772
Total sales	Dec. 24	2,476,331	2,740,476	2,004,525	2,718,912
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 10	111.7	*111.3	111.1	109.8
Farm products	Jan. 10	84.6	*85.6	83.3	91.2
Processed foods	Jan. 10	98.6	*98.5	98.0	103.3
Meats	Jan. 10	71.6	71.4	71.9	84.8
All commodities other than farm and foods	Jan. 10	119.9	*119.8	119.5	115.1

*Revised figure. ¶Includes 733,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,090 tons as of Jan. 1, 1955, as against Jan. 1, 1955 basis of 125,828,310 tons. ‡All-time record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$251,662,000	$258,502,000	$285,284,000
Exports	210,400,000	204,971,000	182,254,000
Domestic shipments	8,950,000	8,686,000	9,963,000
Domestic warehouse credits	54,125,000	63,835,000	290,209,000
Dollar exchange	16,742,000	20,024,000	16,800,000
Based on goods stored and shipped between foreign countries	99,781,000	85,508,000	88,591,000
Total	$641,680,000	$641,526,000	$873,101,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$3,177	$3,617	$3,092
Private construction	2,410	2,632	2,263
Residential building (non-farm)	1,283	1,422	1,258
New dwelling units	1,160	1,280	1,150
Additions and alterations	92	110	86
Non-housekeeping	31	32	22
Non-residential building (non-farm)	683	717	552
Industrial	226	225	184
Commercial	267	296	192
Office buildings and warehouses	107	110	87
Stores, restaurants and garages	162	186	105
Other non-residential building	188	196	176
Religious	63	67	57
Educational	43	45	45
Social and recreational	20	21	19
Hospital and institutional	27	29	29
Miscellaneous	35	34	26
Farm construction	83	94	93
Public utilities	351	388	348
Railroad	29	30	28
Telephone and telegraph	55	60	51
Other public utilities	267	298	269
All other private	10	11	12
Public construction	767	985	829
Residential building	20	21	22
Non-residential building	287	318	351
Industrial	31	35	102
Educational	186	200	181
Hospital and institutional	20	25	25
Other non-residential building	50	58	43
Military facilities	106	115	88
Highways	200	355	214
Sewer and water	80	89	77
Miscellaneous public service enterprises	21	25	15
Conservation and development	43	49	52
All other public	10	13	10
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of Dec. 31 (000's omitted)	$510,000	$542,000	$733,000
CONSUMER PRICE INDEX — 1947-49=100—			
Month of November:			
All items	115.0	114.9	114.6
Food	109.8	110.8	111.1
Food at home	108.2	109.4	110.1
Cereals and bakery products	123.9	123.9	123.1
Meats, poultry and fish	97.1	100.9	103.5
Dairy products	107.8	107.5	106.6
Fruits and vegetables	109.0	108.5	109.6
Other foods at home	113.1	113.9	113.7
Housing	120.9	120.8	119.5
Rent	130.9	130.8	129.2
Gas and electricity	111.5	111.2	108.7
Solid fuels and fuel oil	126.7	126.3	124.2
Housefurnishings	104.5	104.4	105.4
Household operation	120.5	120.1	117.8
Apparel	104.7	104.6	104.6
Men's and boys'	106.0	106.0	106.5
Women's and girls'	99.3	99.5	99.5
Footwear	119.2	118.4	117.0
Other apparel	91.0	91.0	91.2
Transportation	128.5	126.6	127.6
Medical care	129.8	128.7	126.1
Personal care	117.5	117.0	113.8
Reading and recreation	106.8	106.7	106.8
Other goods and services	120.6	120.6	120.0
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of December:			
Copper (per pound)—			
Domestic refinery	43.480c	42.964c	29.700c
Export refinery	44.665c	43.860c	31.036c
Lead—			
Common, New York (per pound)	15.558c	15.500c	15.000c
Common East St. Louis (per pound)	15.358c	15.300c	14.800c
‡‡Prompt, London (per long ton)	£113.344	£108.165	£104.216
††Three months, London (per long ton)	£112.638	£107.781	£103.202
¶Antimony, New York boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) boxed Laredo	33.500c	33.500c	29.000c
Platinum refined (per ounce)	$103.769	$101.570	$78.250
Zinc (per pound)—East St. Louis	13.000c	13.000c	11.500c
††Zinc, London, prompt (per long ton)	£98.438	£92.432	£82.722
††Zinc, London, three months (per long ton)	£95.694	£91.401	£82.023
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.450c	91.461c	85.250c
Silver, London (pence per ounce)	78.231d	79.236d	74.250d
Sterling Exchange (check)	$2.80260	$2.80145	$2.78764
Tin, New York Straits	107.774c	97.804c	88.649c
§§New York, 99%	106.774c	96.804c	87.649c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$279.423	$279.390	$319.538
Aluminum, 99% plus ingot (per pound)	24.400c	24.400c	22.200c
Magnesium ingot (per pound)	32.500c	32.500c	27.000c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
U. S. GOV'T. STATUTORY DEBT LIMITATION—As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	280,768,553	280,136,379	278,743,814
Guaranteed obligations not owned by the Treasury	53,060	53,011	33,542
Total gross public debt and guaranteed obligations	$280,821,613	$280,189,391	$278,783,756
Deduct—other outstanding public debt obligations not subject to debt limitation	474,030	476,425	527,857
Grand total outstanding	$280,347,582	$279,712,965	$278,255,899
Balance face amount of obligations, issuable under above authority	652,417	1,287,034	2,744,100

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East. St. Louis exceeds 0.5c.

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Mutual Funds

By ROBERT R. RICH

Nation-Wide Training Program Now Begun By Vance, Sanders for Dealers

For the first time in the 30-year history of the mutual investment company business, a nationwide formalized sales training program in mutual funds is being made available to independent investment dealers by a mutual fund underwriter, Vance, Sanders & Company.

A continuing series of two-day seminar meetings in major financial centers throughout the country is being arranged, the first of which was held at the Parker House, Boston, this month.

Although initiated by Vance, Sanders & Company, as the country's leading underwriter of mutual fund shares sold through independent investment firms, the program is a cooperative effort in that Vance, Sanders will absorb somewhat over half the direct cost with the balance being met by a fee for each registrant.

Because of the "round-table" nature of the seminar, enrollment is limited to relatively small groups. Due to the widespread interest among dealers, it was necessary in some instances to make reductions in the number of places requested by individual houses.

In announcing the project, Henry T. Vance, senior partner of Vance, Sanders & Company said: "While the program has been designed in many aspects for newer and relatively inexperienced salesmen, we believe that it will also be of interest to others who have been successful in selling mutual funds but who may pick up some useful ideas by attending."

Among the guest speakers who opened the sessions were Richard P. Chapman, President of the Merchants National Bank of Boston and H. Frederick Hagemann, President of the Rockland-Atlas National Bank of Boston.

Mr. Chapman discussed professional investment management. Mr. Hagemann spoke on "Building Business on Confidence in You and the Profession You Represent."

Richard Platt served as chairman of the meetings, assisted by Clayton Du Bosque. Both are partners of Vance, Sanders & Co., in Boston, and have had broad experience in the field of investment selling.

Following an opening welcome by Mr. Vance, William F. Shelley, managing partner of Vance, Sanders & Co., outlined the purposes of the meetings and provided background material on the development of the mutual investment company industry.

Other Vance, Sanders partners who participated in the discussions are Mark L. Baxter, of Chicago, Kimball Valentine, of Washington, D. C., Dickson Smith, Arthur H. Haussermann and Thos. A. Baxter, of Boston. Charles Mac Kinnon discussed matters relating to types of share registration and periodic investment plans.

Following the Boston sessions, it is planned to hold the next sales training program in Chicago early next month. Later, another seminar will probably be held in Boston for the benefit of dealers who could not be fully accommodated at this time.

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Two Bullock Funds Start Time Plans

Periodic accumulation plans for the purchase of shares of Bullock Fund and Nation-Wide Securities Company were announced by Calvin Bullock, Ltd. As a result, all of the mutual funds sponsored by the Bullock firm may now be purchased on a periodic payment plan administered by the Irving Trust Company.

Calvin Bullock introduced the Dividend Thrift Plan in May, 1949. It was the first periodic purchase plan for mutual funds offering commercial bank service.

"Purchases of Dividend Shares under this plan accounted for over 10% of all Dividend Shares sales in 1955," according to a Bullock spokesman, "reflecting the wide appeal of this method of buying mutual fund shares with dividends reinvested automatically and using the principles of 'dollar cost averaging.' We are pleased to be able to make such plans available on all Bullock-managed mutual funds with aggregate assets at over $350,000,000 at the end of 1955."

The Bullock plans may be started for as little as $250 with future payments as little as $25 or more. Dividends may be reinvested as paid and the plans may be terminated at any time without penalty.

Selected Dividend

Selected American Shares, Inc. today declared a capital gain distribution of 61 cents a share from profits realized in the year 1955. It is payable Jan. 27, 1956.

Fund Index At New High

The Axe-Houghton weekly business index has advanced during the last month, continuing its habit of making new high records.

The steel industry has been operating at full capacity, and there has been a shortage of freight cars, so that steel output and miscellaneous loadings have been incapable of making further gains. Automobile production has declined, apparently because of a moderate slackening in the demand for passenger cars at retail.

But lumber loadings have advanced, allowing for seasonal fluctuations, and there has been

Continued on page 137

Manhattan Bond Reports Changes

Manhattan Bond Fund, Inc., in a shareholder message accompanying distribution of its 70th consecutive quarterly dividend, reported that recent additions to the Fund's investment holdings included Lincoln Service Corporation capital debenture 5½s of 1967, Wisconsin Central Railroad Co. first 4s of 2004 and Western Pacific Railroad Co. income debenture 5s of 1984.

The Fund's holdings of Southern Natural Gas Co. convertible 4½s of 1973 were sold, while its investments in Baltimore and Ohio Railroad Co. series G 5s of 1955 and Telephone Bond and Share Co. 5s of 1958 were called for payment by the issuing companies.

High Level Business Activity Forecast

Professional investment management looks forward to continuance of business activity at high levels in the new year, according to Joseph M. Fitzsimmons, President of Investors Diversified Services, Inc. IDS, largest investment corporation of its kind in the nation, manages more than $1,800,000,000 in net assets and serves 725,000 investment accounts of holders of face-amount certificates and mutual fund shares issued by its subsidiary and affiliated companies.

"With the nation's gross production close to the record rate of $400 billion per year and income at new heights, the year 1955 marks the highest economic level reached in the history of our country," Mr. Fitzsimmons stated.

"As an indication of the vigor of our economy, it is significant that the rapid upward trend of the past year has not been based on increased spending for defense materiel, but on the growing demands of the American people for goods and services to maintain and improve their high standard of living.

"Prospects for the long-range future look equally bright," he said. "There may be moderation in the rate of expansion in 1956, with home building and automobile production somewhat curtailed. Possible declines in these industries are, however, expected to be of proportions which can be at least partly offset by favorable trends elsewhere. In other industries, greater production is indicated by announced programs for building more factories and for modernization of existing plant facilities which will involve large expenditures. New and better products and manufacturing methods are constantly appearing as the result of incessant research. Relatively full employment at rising wages and salaries, increased business and dividend returns, and possible reductions in Federal taxes, are factors which will affect the immense volume of disposable income and ultimately result in more markets for our products.

"Business activity this year should continue at high levels, and possibly at a level for the year approaching or even equalling the record year 1955."

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Mutual Funds

a further rise in electric power production.

The Axe-Houghton index of durable goods raw materials prices has also advanced, owing to increases in steel and copper scrap prices.

A reaction in steel scrap prices which followed this advance has been slight and hardly enough to indicate any marked weakening in the demand for steel. The steel trade reviews are indeed unanimously of the opinion that a further decrease in automobile production would do little harm to the steel industry because the demand from other industries is so high.

London copper prices have held closely to the peak of 50 cents per pound. Copper imports have declined, possibly because of the wide spread between New York and London prices.

The domestic copper statistical position showed signs of moderate deterioration in October and November owing to a steady accumulation of inventories by fabricators and a lack of any corresponding increase in unfilled orders. But since then there has been another strike in Chile and world stocks have remained low.

An even more striking development has been the sharp advances that have occurred in London lead and zinc prices, suggesting the probability of similar increases here. Unfilled orders for zinc are high and inventories low, despite high imports. Producers' lead sales have remained high.

The decline in automobile production is attributed to overproduction, causing excessive dealer stocks, at least of some makes in some localities. Used car prices have not held up quite so well recently, although used car stocks are down from their peak of last summer.

A moderate decline in output should be sufficient to prevent further overproduction, since retail demand continues to be high except in comparison with the extravagant sales records of the last year. This of course should not be allowed to obscure the probability that there has been some sort of a letdown in the retail demand for automobiles, although the letdown has not been severe.

There has also been a reduction in the output of consumers' durable goods other than automobiles according to the Federal Reserve adjusted index. This reduction, like the decrease in automobile production, has been moderate, leaving the present level far above the average for 1954.

Recent trends in the construction industry have been somewhat conflicting. The number of new housing units started has declined throughout 1955 so that half the entire increase from the summer of 1953 to the winter of 1954 has been lost.

The Engineering News Record reports a downward trend, since last spring, in engineering contracts awarded, although the decline is from an extremely high level so that the reduced volume may still be considered very satisfactory.

The F. W. Dodge figures on total contracts in 37 states on the other hand showed a sharp upturn in November, allowing for seasonal variation.

Unfilled orders for structural steel have retraced a large portion of the 1953-54 decline. The demand for cement, lumber, and other building materials has remained high. And, according to the Department of Commerce, expenditures for new plant and equipment in the first quarter of 1956 are expected to be the highest on record, allowing for seasonal variation.

PERSONAL PROGRESS

Paul A. Johnston has joined Television Shares Management Corporation, Chicago, sponsors and managers of Television-Electronics Fund, Inc., and sponsors of Hudson Fund, Inc., as director of information, William H. Cooley, President of the Management Corporation, announced today.

Mr. Johnston has been with Barron's National Business & Financial Weekly since 1945 and was Assistant Managing Editor at the time he assumed his present position. He has been in the editorial and publishing field since 1930, and was previously an editor with the Frank A. Munsey Company, editor and publisher of two weekly newspapers in New York State, and editor of several other magazines.

He served in the Army Air Force during World War II, later transferring to "Yank," the Army weekly, where he was a feature editor on the New York staff and later in charge of the China-Burma-India edition of this service magazine.

He is a native of Baltimore and attended Hackley School at Tarrytown, N. Y., and Union College in Schenectady, N. Y. He has been a member of the New York Financial Writers Association and various other clubs and organizations. He will make his headquarters in Chicago.

ROBERT E. CLARK, Executive Vice-President of Calvin Bullock, Ltd., New York, has been elected Chairman of the Executive and Administrative Committees of the National Association of Investment Companies, according to an Association announcement. The Association also reported that Joseph E. Welch, Executive Vice-President of Wellington Fund, Inc., Philadelphia, has been elected Chairman of the Association's Public Information Committee.

Mr. Clark has been associated with Calvin Bullock since 1929 and is a Vice-President of Dividend Shares, Inc. and a director of Carriers and General Corp. He formerly held the Association post now occupied by Mr. Welch. A graduate of Williams College, Mr. Clark was born in Springfield, Mass. and is a resident of Bronxville, N. Y.

Mr. Welch is Executive Vice-President of Wellington Company and Wellington Fund. He attended the University of Pennsylvania and has been associated with the Wellington Fund since 1937. For 13 years prior to that he was associated with New York Stock Exchange firms and with the Federal Reserve Bank of Philadelphia.

R. L. JUDY has been elected Treasurer of Commonwealth Investment Co., S. Waldo Coleman, President, announced today. He also becomes Treasurer of North American Securities Company, North American Investment Corporation, and Commonwealth Stock Fund. Mr. Judy has been Assistant Secretary and Assistant Treasurer of these companies since 1951, and of Commonwealth Stock Fund since 1952. He is a graduate of the Stanford Graduate School of Business.

U. S. & Foreign Reports Net Assets Of $128 Million

United States & Foreign Securities Corporation, closed-end investment company, reports total net asset value of $128,950,171 as of Dec. 31, 1955, equal to $38.95 per share of common stock outstanding. This is the corporation's first annual report since the merger with its former subsidiary United States & International Securities Corporation on June 30, 1955.

During the first six months of 1955 the corporation and its former subsidiary redeemed their outstanding first preferred stocks and acquired their second preferred stocks for retirement mainly through the distribution of portfolio securities. In connection with the merger on June 30, 1955, the common stock of United States & Foreign was split three for one and the par value changed from no par to $1.

Dividends equivalent to $4.3733 per share were paid on U. S. & Foreign new common stock in 1955, including a distribution of $3.584 per share from net realized capital gains. The latter was paid on Dec. 27.

Common stock investments held by U. S. & Foreign on Dec. 31 represented the following approximate percentages of total assets: Oil, 42%; chemical and drug, 18; metal and mining, 13.7; manufacturing and miscellaneous, 10.2; merchandising, 6.1; electric utility, 1.9; natural gas, 1.8.

The report states that directors have authorized the purchase of the corporation's common shares "in such amounts, at such prices and at such times" as may be deemed advisable.

NATIONAL SHARES CORP., a closed-end investment company, reports a net asset value of $21.09 per share as of Dec. 31, 1955. In March and April, 1955 stockholders subscribed for 360,000 additional shares of capital stock on the basis of one additional share at $15 per share for each two shares held. Total amount of stock

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National's Dividends Up

Total distributions to shareowners of the National Securities Series of mutual funds rose to a new record high in 1955 at $17,807,622 compared with $12,701,713 paid out in 1954, it was announced today by National Securities & Research Corporation, managers and sponsors of the series.

The 1955 distributions comprised $12,048,274 from investment income compared with $10,734,380 in 1954; distributions from capital gains and other sources amounted to $5,759,348 against $1,967,333 for the same period last year.

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Mutual Funds

now outstanding is 1,080,000 shares.

Common stocks constituted 87.6% of the company's assets at the end of the year. Bonds acounted for 3.5%, U. S. Government obligations 8.7% and cash .2%.

During the year stockholders received ordinary cash distributions amounting to 59.3c per share and a capital gain cash distribution of $1.29 per share.

On March 6, 1956 the company will mark the completion of 27 years of operation. The original net assets value was $12.50 per share after adjustment for the 1938 and 1955 two-for-one stock splits. Cash distributions declared over the entire period of operation amounted to $12.11 per share from ordinary income and $9.22 from profit on securities sold.

The company had 2,680 stockholders at the end of 1955 compared with 1,707 at the close of 1954.

GENERAL AMERICAN INVESTORS CO., INC., stated that as of Dec. 31, 1955 net assets were $61,482,522. The increase for the year in the net assets, after dividends of $4,446,195 was $3.033.630.

Net assets, after deducting $5,993,000 preferred stock, were equal to $30.82 per share of common stock on the 1,800,220 shares outstanding.

Net profit from the sale of securities for the year was $3,277,266 all from long-term capital gains. Net income from dividends, interest and royalties for the year, after expenses and taxes, was $1,164,854.

Dividends were paid during the year as follows: On the preferred stock, $269,685; on the common stock, $900,110 from net income from dividends, interest and royalties and $3,276,400 from long term capital gains.

Dividend payments on the common stock were 50 cents per share from net income and $1.82 per share from long term capital gains.

UNITED FUNDS' four mutual funds group this year will distribute more than $15 million to shareholders, Cameron K. Reed, President, announced. Of that amount more than $9 million will be paid or added to shareholders' accounts this month. The record distributions reflect the sharp increase in earnings and asset values of the funds in 1955.

Mr. Reed pointed out that dividends from net investment income amounted to $8,918,685, compared with $6,025,905 in 1954; distributions from securities profits aggregated $6,186,637, against $3,970,059.

United Income Fund, with total assets of $139,082,416, or $9.86 a share, on Dec. 5, made a year-end distribution of $4,654,987 the day before Christmas, while a year ago the total was $3,546,375.

United Accumulative Fund shares made its annual distribution Dec. 9 which amounted to $4,651,278, compared with $2,490,859 a year ago.

Total assets of the four funds, including United Science and United Continental, amounted to $263,881,004, an increase of more than $78½ million over a year ago.

Lehman Corp. Assets at All Time High

A net asset value of $232,362,650, equal to $50.22 per share on the 4,626,856 shares of The Lehman Corporation's capital stock outstanding—the highest ever reported in the 26 years of its operation—was shown by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, in the Semi-Annual Report to stockholders. This net asset value gives effect to the deduction of dividends totaling 82½% per share payable Jan. 10, 1956. The corresponding per share asset value on Dec. 31, 1954 was $45.25.

The Lehman Corporation, one of the largest closed-end investment companies, had realized capital gains of $5,143,563, equal to $1.11 per share, during the first six months of the Corporation's fiscal year, as compared to 40c per share for the same period last year. Because of these comparatively large gains and in view of the substantial amount of unrealized appreciation in the corporation's assets, a capital gains dividend of 60c per share was declared in December, 1955. The corporation's usual practice had been to wait until the end of the fiscal year, which ends on June 30, to pay capital gains dividends. In June, 1955, a capital gains dividend of $1.47 was declared.

Net ordinary income for the six months ended Dec. 31, 1955 amounted to $2,729,991, compared with $2,343,457 12 months earlier. Net unrealized appreciation of portfolio securities amounted to $132,600,910 on Dec. 31, 1955, as against $109,246,840 a year before.

Common stocks constituted 91% of net asset value at the end of the second quarter with U. S. Governments and net cash items of $13,695,645, representing 5.9%.

New portfolio additions during the quarter were $3,000,000 American Telephone & Telegraph Company convertible debentures 3⅞%, 1967; $178,600 Radio Corporation of America convertible subordinated debentures 3½%, 1980; 15,000 shares Westinghouse Electric Corporation; 15,000 shares Eli Lilly & Company "B"; 11,000 shares National Homes Corporation; 10,000 shares Northern Natural Gas Company; 3,500 shares The Mead Corporation; 10,000 shares National Airlines, Incorporated. Additions to the portfolio included 1,900 shares Hercules Powder Company; 2,000 shares Aluminum Limited; 3,775 shares Powell River Company Limited; 3,000 shares Kaiser Aluminum and Chemical Corporation; 1,000 shares The Louisiana Land & Exploration Company; and 4,200 shares The Calgary & Edmonton Corporation Limited.

Sales included 1,548 shares Rohm & Haas Company, leaving 11,400 shares in the portfolio; 13,800 shares G. D. Searle & Co., leaving 42,000 shares in the portfolio; 8,140 shares The Dow Chemical Company, leaving 50,000 shares in the portfolio; 5,000 shares Johnson & Johnson, leaving 10,000 shares in the portfolio; 5,000 shares Corning Glass Works, leaving 15,000 shares in the portfolio; and 2,127 shares of The Visking Corporation, leaving 10,000 shares in the portfolio; 4,000 shares Amerada Petroleum Corporation, leaving 140,000 shares in the portfolio.

The corporation also disposed of its holdings of 2,500 shares Public Service Company of Indiana, Inc., 4.20% convertible preferred; 5,500 shares Anderson-Prichard Oil Corporation; 10,000 shares The Chicago Corporation and 4,000 shares Ohio Oil Company.

National's Assets Hit New Peak Of $265 Million

Total assets of the seven mutual investment funds comprising the National Securities Series swelled to $265,432,004 on Dec. 31 last as the number of shareowners set a new record at 100,013 at the year-end, H. J. Simonson, Jr., President of National Securities & Research Corporation, reported. The corporation sponsors and manages the funds.

At the close of 1954 total assets amounted to $224,415,613 while shareowners numbered 89,051.

Mr. Simonson also reported that sales of the National Securities Series in 1955 totaled $52,110,968 for a weekly average in excess of $1,000,000. He attributed the high volume to "the expanding interest of the investment public in mutual investment fund shares."

"While increased sales were an important factor in the asset growth of the National Securities Series during 1955, the year also was one of generally rising securities prices," Mr. Simonson explained.

The 1956 forecast issued by the staff of National Securities & Research Corporation predicts a good year ahead with Gross National Product estimated at $406 billion, industrial production averaging 3% higher than in 1955, and total earnings after taxes of all U. S. corporations estimated at 10% higher in 1956 than 1955. Dividends in 1956 are forecast at 10% over 1955.

Mr. Simonson concluded that "for the investor a reasonable backlog of selected bonds and preferred stocks seems prudent. However, the relatively low yields on such securities must be of genuine concern to all investors, private as well as institutional.

This indicates the advisability of having adequate investment representation in common stocks in order to benefit from the higher income provided and at the same time to have an opportunity to participate in the long-term growth of successful American corporations."

Selected American Shares total assets at Dec. 31, 1955, as reported by Edward P. Rubin, President, were $52,122,909 or $9.84 a share, compared with $39,551,859 or $8.88 a share on Dec. 31, 1954. In addition to the gain in asset value per share, a 50c capital gain distribution was paid in January 1955, bringing total gain for the year to $1.46 a share. Dividends declared from investment income in 1955 totaled 30c a share, compared with 29c in 1954. Outstanding shares at Dec. 31 of 5,294,967 compared with 4,455,113 a year ago.

At Dec. 31 common stocks represented 93.7% of assets, U. S. Governments and cash 6.3%. The company had investments in 115 companies, the five largest holdings by industry being oil 11.1%, steel 10.5%, metal (non-ferrous) 8.2%, building 6.2%, paper 6.0%.

Significant net changes during the year were: Increases of 4.1% in non-ferrous metal, 2.4% in oil, 2.9% in railroad, 5.4% in steel; Decreases of 2.4% in building, 3.6% in electric utility, 1.7% in food, 8.7% in the holdings of government bonds and net cash.

Institutional Income Fund, Inc., net assets, totaled $7,962,199 on Nov. 30, 1955, end of the fund's fiscal year. This compares with net assets of $2,673,763 a year earlier, and represents an asset increase of 198%.

Net asset value per share, including distributions from realized securities profits, increased during the year to $7.45 from $5.99 on Nov. 30, 1954, a gain of 24%.

The five largest industry groups represented among the fund's holdings at the fiscal year-end were auto accessories and equipment with 18% of net assets, railroads 8.6%, non-ferrous metals and mining 8.2%, machinery and machine tools 7.2% and retail trade 6.4%.

SOVEREIGN INVESTORS reported total net assets on Dec. 31, 1955 of $1,587,893.91. This is a 30% increase over the close of 1954 when net assets amounted to $1,222,856.43. During the same period the net asset value per share rose from $10.98 to $12.54. During the year there was a limited number of new investments added to the Fund's portfolio. For the most part additional commitments were made in good quality common stocks already held.

Science & Nuclear Fund reports an increase in assets of $228,000 or 31% for its first fiscal quarter ended Dec. 31, 1955.

The increase boosted total resources of the Fund to $941,217 on that date as compared with $713,115 at the close of its fiscal year on Sept. 30, last. The Fund began business last May with assets of $111,000.

Net asset value increased to $10.76 a share on Dec. 31, last, a new high as compared with $10.10 a share on Sept. 30, 1955 and $10 a share initially.

Bullock Assets At New High

Net assets of Bullock Fund, Ltd., mutual fund supervised by Calvin Bullock, Ltd., were $27,391,699 for the fiscal year ended Nov. 30, 1955, according to Hugh Bullock, President.

This figure represents an increase of $6,270,779 over the net assets at the end of the previous year and establishes a new high for the year-end assets of the fund.

On a per share basis, the value of Bullock Fund, Ltd. increased from $10.26 per share at the end of fiscal 1954 to $12.11 per share on Nov. 30, 1955. Taking into consideration the distribution of 45 cents per share from net securities profits, the gain for the year exceeded 22%.

Total dividends from net investment income for 1955 were 35⅓ cents per share.

These figures have been adjusted to reflect the 200% stock distribution made in March, 1955.

As of Nov. 30, 1955, common stocks constituted 88.2% of net assets of Bullock Fund, Ltd. Long-term growth and capital appreciation continues to be its basic investment objective.

Concord Sales Gain

Sales of Concord Fund during 1955 set a new record high at over $3 billion, up 300% from 1954 sales of $759,000. The best previous year was 1952 when sales were reported at $887,000. Net assets of Concord Fund were $7,610,000 at the 1955 year-end, up 67% from the $4,562,000 figure of a year earlier.

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Dealer-Broker Investment Recommendations

Plant Sites—Information on available sites in Indiana, Michigan, Ohio, West Virginia, Virginia, Kentucky and Tennessee —L. L. Davis, Mgr., Area Development Division, American Gas & Electric Company, 30 Church Street, New York 8, N. Y.

Plant Sites in the South — Information — R. P. Jobb, Asst. V.-P., Atlantic Coast Line Railroad, Wilmington, N. C.

Preferred Stock Issues in 1955—Compilation of stock offerings —Union Securities Corporation, 65 Broadway, New York 6, New York.

Securities Outlook—Survey of business prospects for the new year with a list of securities with attractive possibilities for 1956—Booklet F, G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Steel Cutting Operations—Composition carbides for industrial uses—Kennametal Inc., Latrobe, Pa.

Three Dimensional Maps—On vinyl plastic base and plastic coated—world (3 x 2 feet) $15; United States (5½ x 3½ feet) $45; Canada (4 x 4 feet) $45; California (3½ x 4 feet) $45; New Jersey (2½ x 4 feet) $39.50; Wisconsin (3 x 4 feet) $37.50—Dun & Bradstreet's International Markets, Dept. N7, 99 Church Street, New York 8, N. Y.

Transfer Tax Rates—Booklet giving current Federal and State Stock Original and Transfer Tax Rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Virginia Plant Sites—Information—Virginia Electric and Power Company, Electric Building, Richmond 9, Va.

* * *

Air Reduction Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on the **Texas Company.**

Anchor Hocking Glass Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Campbell Soup Co.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the same issue is an analysis of **Grayson Robinson Stores** and a list of selected stocks in the 30s.

Cascade Natural Gas Corp. — Annual report — Cascade Natural Gas Corporation, 407 Securities Bldg., Seattle 1, Wash.

Corn Products Refining Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Delta Air Lines, Inc.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dodge Manufacturing Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Great Western Corporation—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5. N. Y. Also available is a bulletin on the **Fort Neck National Bank** and **Bell & Gossett Company.**

Indiana Gas & Water Company—Analysis—Blair & Co. Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Marlowe Chemical Company, Inc.—Report—General Investing Corp., 80 Wall Street Street, New York 5, N. Y.

Mississippi Valley Gas Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas. Also available is a memorandum on **Texas Gulf Sulphur Co.**

Missouri Pacific Railroad Co. — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Monarch Royalty Corporation—Report—Kramer, Woods & Co., San Jacinto Building, Houston 2, Texas.

New Coldvue Mines Limited—Analysis—Canadian Corporation Information Service, 44-50 Pearl Street, Toronto 1, Ont., Canada—$1.00.

New York Capital Fund of Canada Ltd.—Report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Pacific Petroleums Ltd. — Memorandum — Walston & Co., 120 Broadway, New York 5, N. Y.

Pigeonhole Parking Inc.—Information—L. D. Sherman & Co., Dept. C-19, 30 Pine Street, New York 5, N. Y.

Quebec Chibougamau Goldfields, Limited — Analysis — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

Rio Palmer Oils Ltd.—Analysis—Burns Bros. & Company, 44 King Street, West, Toronto 1, Ont., Canada.

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

Saaty Fuel Injector Corp.—Data—D'Avigdor Company, 63 Wall Street, New York 5, N. Y.

Scott Paper Company—Analytical brochure—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a review of the **Chemical & Pharmaceutical Industry,** and a memorandum on **Unilever.**

Southern Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Stancan Uranium Corp. — Brochure "Uranium in Canada" — Crerie & Company, Texas National Bank Building, Houston 2, Texas.

Stubnitz Greene Corporation—Analysis—Smith, Hague, Noble & Co., Penobscot Building, Detroit 26, Mich.

Suburban Gas Service, Inc.—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Sunshine Biscuits, Inc.—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Telecomputing Corporation — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Three States Natural Gas Company — Analysis — Southwestern Securities Company, Mercantile Commerce Building, Dallas 1, Texas.

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

George Weston Limited — Analysis — The Midland Company Limited, 50 King Street, West, Toronto, Ont., Canada.

Our Reporter's Report

With all the fanfare accorded visiting royalty the stock of Ford Motor Co., came to the Wall Streets and Main Streets around the country and across a good part of the world this week.

Sale of 10.2 million shares of the second largest automobile producer's stock to the public for the account of the Ford Foundation recalled an earlier instance when bankers, back in the 20s, sought to interest Henry Ford, the elder, in financing.

But as the story went at the time, the price of such financing, it was said then, would have involved Ford's relinquishment of control of the big company. That ended that and Mr. Ford went back to Detroit and arranged his own financing.

The current occasion, of course, is entirely dissimilar since it does not involve the Ford Motor Co., directly, but rather the Ford Foundation which is selling 22% of its holdings with a view to diversifying its investment portfolio.

There never was a vestige of doubt of the success of this undertaking. Quite the reverse, the interest aroused by the mere announcement of the Foundation's intention created a market for literally many times the amount of stock being offered.

Now comes the headache for the underwriters and distributing firms which must "cut the cloth to fit the pattern." In other words, allot the stock available against orders received to the best of their ability. And it will require the wisdom of a Solomon to solve this problem in many instances.

Tough On Experts

The Ford offering no doubt presented less of a problem to the general public than it did to those more expert in matters of investment judging by stories going the rounds.

What the rank and file thought of the stock was evident from the substantial premiums ruling for the issue in Toronto prior to start of "when-issued" trading in U. S. markets. People paid as high as $69¼ for the issue, almost five points over the offering price.

In contrast, one big institution was said to have put the matter up to its Investment Committee, which after much study called in a still higher Committee and then turned in a joint report to trustees which reportedly held that it was a "buy" at a price of $62.50. But just to be in the swim, the institution put in an order for a fair-sized block at the public offering price of $64.50.

The Poor Customer-Broker

The customer brokers' plight is a trying one since it is his job to attempt to pacify customers who find their orders either scaled-down drastically or perhaps entirely eliminated.

This is particularly true if the situation in one rather large firm is typical. Many of its customer-brokers had orders ranging up to 3,000 and 4,000 shares. But the firm's participation permitted the making available of only 250 shares per man against such orders.

Even if distributed on a pro-rata basis this would yield only about 16 shares per customer. And if more than 50 shares were allotted to a single customer, the broker must accompany this action with a letter to the firm explaining his reasons for so doing.

Plenty of Time

The group marketing the Ford stock, and that just about constitutes the entire underwriting fraternity with a few notable exceptions, will have plenty of time in which to complete the task.

Outside of Textron-American's $30 million debenture issue which is on tap, next week's prospects are few and of small dimensions.

The following week will bring a bit of a pickup with Northwestern Bell Telephone coming in for $25 million debentures and Texas Utilities Co. with $15 million of common.

Salomon Bros. Group Offers Equip. Trusts

Salomon Bros. & Hutzler and associates are offering $7,800,000 of Chicago, Burlington & Quincy RR. Equipment Trust No. 1 of 1956 3⅛% equipment trust certificates, maturing semi-annually Aug. 1, 1956 to Feb. 1, 1971, inclusive.

The certificates are priced to yield from 2.80% to 3.125%, according to maturity. Offering of the certificates is being made subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by new standard - gauge railroad equipment, estimated to cost $9,781,950.

Associated in the offering are: Drexel & Co.; Union Securities Corp. and Stroud & Co., Inc.

Two With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Maurice I. Biggs and Fred C. Sommers have joined the staff of Shelley, Roberts & Co., First National Bank Building.

Amos Sudler Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lois L. Hughes has been added to the staff of Amos C. Sudler & Co., First National Bank Building.

Two With American Secs.

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo.—Theodore V. Denuszek and Orson F. Miles have been become affiliated with American Securities Company, 1515 Eighth Avenue.

Vercoe Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Robert G. Powers has been added to the staff of Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

DIVIDEND NOTICES

DIVIDEND NO. 65

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar and twenty-five cents ($1.25) (Canadian) per share has been declared on the Capital Stock of this Company, payable March 12, 1956, to shareholders of record at the close of business on February 10, 1956.

J. F. McCARTHY, *Treasurer.*

DIVIDEND NOTICES

GOULD-NATIONAL BATTERIES, INC.

SAINT PAUL, MINNESOTA

Manufacturers of Automotive and Industrial Batteries

DIVIDEND NOTICE

Preferred Dividend

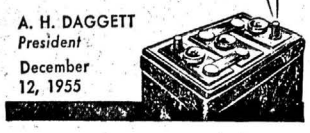
The Board of Directors today declared a regular quarterly dividend of 56¼¢ per share on the Cumulative Preferred Stock, payable February 1, to shareholders of record January 20, 1956.

Common Dividend

The Board of Directors today declared a dividend of 42½¢ per share on Common Stock, payable February 1, to shareholders of record January 20, 1956.

A. H. DAGGETT
President

December 12, 1955



COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on January 17, 1956, declared a regular quarterly dividend of thirty-five cents (35¢) per share on the Corporation's Common Stock. This dividend is payable February 29, 1956, to stockholders of record January 31, 1956.

LEROY J. SCHEUERMAN, *Secretary*

CENTRAL AND SOUTH WEST CORPORATION

Wilmington, Delaware

HOOKER

ELECTROCHEMICAL COMPANY

Niagara Falls, N. Y.

Dividend Notice

The Board of Directors on January 18, 1956, declared dividends as follows:

Quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable March 28, 1956, to stockholders of record as of the close of business March 2, 1956.

Quarterly dividend of $.25 per share on the Common Stock, payable February 24, 1956 to stockholders of record as of the close of business February 2, 1956.

ANSLEY WILCOX 2nd, Secretary

Half a Century of Chemicals From the Salt of the Earth

1905—1955

HOOKER CHEMICALS

R. J. REYNOLDS TOBACCO COMPANY

Makers of
Camel, Cavalier and Winston cigarettes
Prince Albert smoking tobacco

Quarterly Dividend

A quarterly dividend of 70c per share has been declared on the Common and New Class B Common stocks of the Company, payable March 5, 1956 to stockholders of record at the close of business February 15, 1956.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
January 12, 1956

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Washington . . . And You

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

WASHINGTON, D. C.—President Eisenhower's "balanced budgets" for the fiscal years 1956 and 1957 are strictly for the birdies.

A budget document is a curious thing. First, it is an **estimate** of receipts and expenditures. Second, it is a listing of appropriations requested. Third, it contains some but frequently not all requests for legislation which would affect revenues or expenditures. Fourth, it is a political campaign document, annually issued.

What most people think of as "the budget" is the estimate of receipts and expenditures. So when the President "submits a balanced budget" even if the surplus is as in this case infinitesimal, they think in terms of what the President guesses will be collected in revenues and what will be spent.

On this basis the President **estimated** a surplus of $200 million in the present fiscal year and $400 million for the next year. Expressing great satisfaction with this performance and noting it as an excuse to go ahead with an ambitious program of improvements and goodies too long delayed, the President recommended same. However, he forgot in some cases to include what some of these things would cost in his so-called "budget."

For instance, the President blithely left out any estimate for the new and expanded highway program, regarded as the major Eisenhower spending enterprise having the greatest possibility of enactment at this session of Congress.

"Pending final determination of the amounts required for the recommended program for highways, the dollar estimates included in this budget under proposed legislation cover only the continuance of the present annual authorization," explained the President.

Highway Program Is $27 Billion

For Mr. Eisenhower's information, his aides, unless they alter the figures before finally coming forth with them, want a new Federal program of $25 billion plus $2 billion of grants to cities. This money would be spent over a period of 13 to 15 years. Proposed additional motor vehicle, gasoline, and excise tax revenues would NOT annually meet these expenditures, but if continued beyond the building period by willing taxpayers, would eventually retire the amount to be borrowed while construction was under way.

It is urged or will be urged on Congress that this program be approved as quickly as possible for even though little construction would get under way in fiscal 1956 or 1957, as many billions would be spent as quickly as possible to purchase rights-of-way. Ninety percent of these costs would be Federal.

So this item alone knocks the "balanced budget" and expenditure estimate into a cocked hat.

Underestimate Farm Costs

Mr. Eisenhower estimates only $400 million for his "soil bank and accompanying proposals" as additional farm aid expenditures for next year. This correspondent was advised by a farm legislative hand far more experienced than either Agriculture Secretary Benson or the President, that the "soil bank," would cost a minimum of $1 billion, some $400 million MORE than the President estimates (counting continuance also of the present level of soil conservation spending).

However, the farm program has much more than the "soil bank," that fancy term for paying farmers not to farm. There are to be myriads of loans of all kinds. The marginal or "low income" farmer is to be boosted up on the income ladder.

Republican leaders have served notice on the White House that the "soil bank" is not enough. A proper and adequate sweetening of farm income cannot be achieved between now and Nov. 6, 1956, they have made clear, by the "soil bank" alone. It will take too long to get under way, probably couldn't be operated before Sept. 1 if enacted by Jan. 31, which is impossible.

Although part of the President's farm program is a huge foreign give-away program of commodities, the President seems to estimate the costs of Commodity Credit Corp., which holds these commodities, as some $600 million less in fiscal 1957 than in 1956. (The word "seems" is appropriate because the figures on CCC are so dispersed throughout the budget as to require a high-class accountant to tally them).

Defense Costs Estimated Same

There are numerous other instances which might be cited of estimated expenditures for fiscal 1957 which either appear to avoid fully estimating probable and foreseeable rising costs, or omit them entirely.

However, there is one additional category of considerable significance to the budget, Defense Department military spending. For two times in a row, the President erringly estimated this at $34 billion. The revised current year spending is $34.5 billion, for next year it would be $35.5 billion.

Most observers believe that without any increase in the size of the defense establishment—and the President indicates most definitely he doesn't plan to increase it — procurement costs are on the rise. Yet the President only estimates a rise of $258 million in spending for the much advertised bigger guided missile program, $77 million more for ships, and actually estimates a decrease in the cost of aircraft procurement. For "major procurement" items as a whole, he "budgets" a decrease of $104 million.

However, even if it assumed that the revenue and spending estimates of Mr. Eisenhower's budget—the figures which most people think of as **the budget**—were their most honest guesses, the difficulty with the budget-making is that the **first** estimate of accounts for an ensuing year is usually too far away for accuracy even with the best of intentions.

Thus, on January a year ago the President estimated spending for the current year at $1.9 billion less than he now estimates it, and the fiscal year still had six months to go after these figures were made up. Such an error, if it again materialized January a year from now when the revised 1957 estimates were made up, would show a vastly altered picture for fiscal 1957 than the President now gives.

Likewise, the President's year-ago estimate of fiscal '56 revenue fell short of the newest projections by $4.5 billion. If it were assumed that the business boom would continue the forward pace all through calendar 1956, it did in 1955, then sufficiently large revenues might come into cloak a good many errors of omission or short-guessing of expenditures.

Ike Economy Appraised

For comparison purposes, it may be assumed that the estimated spending of $64.3 billion will come somewhere within range of the performance, for fiscal 1956.

The Eisenhower Administration disavows responsibility for spending in fiscal 1953, almost seven months ago when it came into office, the year of the largest total of post War II spending, or $74.3 billion.

Accepting the Administration's excuse, from fiscal '53 to fiscal 1956 (if achieved), the Administration's **actual** cut in spending will be $10 billion. (The Administration likes to compare its results with Truman's estimate for fiscal 1954 to show a $13.6-billion imaginary cut.)

After the new Administration came into office, it accepted what amounted to a surrender in Korea, permitting a cut in defense spending. Actual "national security" expenses have been cut from 1953 to 1956 by $10.8 billion.

In other words, the Eisenhower Administration this year is spending $800 million more on all government other than "national security," than Mr. Truman spent on all government other than "national security," in the last and most expensive year of his Administration.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

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