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EDITORIAL

As We See It

The President has submitted a proposed budget balanced, to use his own words, "at a high level of receipts and expenditures." The estimated surpluses in both the 1956 and the 1957 budgets are "slim"; very little would be required to replace them with deficits. What has now become known as the "cash budget" makes a better showing in both of the years — and this is the budget which, according to the President, "is sometimes used to measure the inflationary or deflationary impact, if any, of Government financial operations on the economy." Efficiency in operation coupled with liberal outlays for purposes long espoused by the New Deal and allied groups appears to be the basic philosophy of the document now submitted by the President.

All this is made the cause of considerable self-gratulation, and in some particulars justly so. There can be little doubt that some of the operations of the Federal Government are now on a more business-like basis than when the present Administration took office. Waste at a number of points has been eliminated or reduced. The impression rather generally given of less hostility to business and a more favorable political atmosphere in Washington has plainly had something at least to do with the extraordinarily active state of business which, in turn, has made possible the budget balance noted by the President. A sincere effort has been made to rewrite the tax laws of the nation to place them upon a more rational and sensible basis. For this much the nation should be and doubtless is grateful.

At the same time, we find ourselves quite unable to share much of the enthusiasm of the President. A budget balanced at a "high level of

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Business and Finance Speaks After Turn of the Year

Balance of Annual Review Forecasts

For various reasons, a large number of the 1956 business and economic forecasts especially written for the "CHRONICLE" could not be accommodated in our ANNUAL REVIEW AND OUTLOOK ISSUE of Jan. 19. These outlook statements, of course, reflect the individual opinions of government officials and of the country's leading industrialists, bankers and financiers on the probable trend of economic activity for specific industries and business in general. The remaining unpublished commentaries received by the "CHRONICLE" are given in today's issue starting herewith:

ERNEST R. ACKER

President, Central Hudson Gas & Electric Corporation

The year 1956 promises the continuation of a high level of consumer income and purchasing power and a probable increase in the Gross National Product over 1955's record high. It is expected that the generally high economic and productive activity in the nation's basic industries will be maintained. The gas and electric utility companies, whose growth over the years has reflected our expanding economy, will keep pace with the growing demands of industries, farms, homes and businesses for national gas and electric power.

Ernest R. Acker

The electric companies in 1955 invested close to $3 billion in new facilities, matching the industry's outlay for new construction in 1954, and anticipate adding new facilities at this annual rate during the next decade. The gas utility and pipeline companies spent about $1,385,000,000 in 1955 for new construction and this industry estimates adding new facilities at the rate of more than $1 billion a year for at least the next five years.

Electric power sales in 1955 were about 16% greater than in 1954 and higher than the most optimistic pre-

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Variable Annuities Case Based on False Premises

By ARNOLD R. LaFORCE*

Second Vice-President, Metropolitan Life Insurance Company

Mr. LaForce says only solution to variable annuity objectives is elimination of price inflation causes. Questions variable annuity proponents' assumption that continuous inflation is now inevitable and rejects premise that investments restricted to "blue chip" stocks will live up to expectations as anti-inflation hedge. Insurance executive charges variable annuities would: (1) shift traditional insurance business risk to the client; (2) constitute dollar averaging; (3) contain speculative features; (4) prevent shifting from low to higher yield investments; (5) endanger the insurance industry's tax status, and (6) cause flight from existing forms of insurance.

Not so long ago one of the top songs on the Hit Parade was a catchy tune bearing the title "Be My Life's Companion and You'll Never Grow Old."

Now the romantic aspirations expressed in that song are most admirable, but, of course, the hard cold facts are that we are all going to grow old (and regardless of the particular selection of a partner or companion in life). However, we in the life insurance business, if we are to merit our standing as experts and specialists in this business of providing protection against aging or growing old, constantly must seek new methods of providing life insurance and retirement benefits as better solutions to the problem of growing old. Certainly when we slow down in this constant quest to provide better solutions to the financial problems of the increasing number of aging people in our society, we

Arnold R. LaForce

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*An address by Mr. LaForce before the New York City Chapter of Chartered Life Underwriters, New York City, Jan. 18, 1956.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 86.

The Security I Like Best

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

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

TOM B. BOSTON

Boston Securities Company
Dallas, Texas

Pecos Exploration Company

Pecos Exploration Company, a low priced "Special Situation" represents exceptional value in proven oil reserves and in proven but undeveloped reserves. Pecos is both a royalty owner and producer in the Fort Stockton field of Pecos County, Texas. The Pecos County holdings of this company consist of approximately 4,000 acres of minerals and about 5,000 acres of oil and gas leases. In addition, the company has a one-half interest in five producing wells in Lea County, N. M.

Tom B. Boston

There are now 27 oil wells producing from the Yates Sand on the Pecos royalty holdings and two gas wells. Pecos has an operating or working interest in 17 producing wells in Pecos County and Lea County.

The royalty interest reserves now producing should be about 1,040,000 barrels or should eventually produce approximately $2,600,000 in future net revenues. This figure could possibly be doubled if the proven royalty acreage which is not yet producing is considered.

A new field was recently discovered on the west portion of Pecos property. To date there have been 10 wells drilled in this field. Two of the wells were drilled by Texas Company under which Pecos owns one-half of the royalty. The Texas Company's No. 1 made 432 barrels of oil per day and the No. 2 came in for 210 barrels per day. Texas Company has six additional locations to be drilled on this 320 acre lease.

This field was discovered by the Weaver-Olson interest of Midland, Texas, on a 320-acre farm-out agreement with Pecos Exploration Company. Under this agreement Pecos Exploration Company is to receive a one-quarter interest in all oil produced after drilling expenses in addition to its one-half royalty interest. Weaver-Olson have completed eight wells as follows:

Well Number	Barrels Oil Per Day
1	112
2	164
3	112
4	83
5	88
6	80
7	82
8	112

This discovery is also very significant to Pecos in that it proves considerable additional acreage under lease to the company will be productive. Pecos has approximately 2,000 acres around the Weaver-Olson wells.

It has been estimated that about 8,000 barrels of oil per acre will be produced from primary and secondary recovery methods in this field. Assuming that Pecos Exploration Company has around 1,500 acres proven, this would mean that Pecos has in the neighborhood of 12,000,000 barrels of oil yet to be drilled in addition to its present production. This would indicate future gross revenues from this property alone in excess of $30,000,000; with a capitalization of less than $3,000,000, gross revenues would exceed $10 per share.

It would therefore seem that Pecos Exploration common stock which has been trading around $1.00 per share would be a worthwhile commitment on a speculative basis.

In addition to the Yates production on the above mentioned properties, it is thought by many geologists that deeper producing zones will be located in either the Simpson or the Ellenberger formations.

Pecos Exploration Company is under the management of Mr. Jack Frost of Dallas, Texas, who has been a leader in the oil business in Texas, New Mexico, Colorado, and Utah for many years.

ALBERT H. DEUBLE

President Yorkville Exchange Co., Inc.
Members of N. A. S. D., New York City

Montgomery Ward

At this time, we need the "grocery approach" towards the stock market if and when we make new investments or arrange changes. In the same manner as the smart Metropolitan housewife studies her newspaper each Thursday morning for the customary "ads" of the supermarket organizations and their weekly bargain sales or "Specials," so should the investor of today look around for merchandise selling below the actual regular value. The time has passed where we can hope to ride with the tide. Even the free-riders in Ford realize their mistake, if they did not get out immediately. It gets harder and harder to discover a security which really deserves to be included in the column "The Security I Like Best."

Albert H. Deuble

The rise in our markets has been tremendous and went in general far beyond all hopes and expectations. Some stocks might have already reached an all-time peak if it wouldn't have been for our dynamic economy, growth in population, and political pressure for easier and easier money. For these and other reasons, we cannot use the old yardsticks any longer and declare: this is a good time to be completely out of the market. Our political managers have learned a number of tricks which we would have considered socialistic only a few years ago. Most people should and must stay in the market but they need the right stuff in order to be prepared for the worst, if it should come.

In the light of these considerations we might take a new look at an old favorite of ours: Montgomery Ward and Company. In three months from now, on April 27, 1956, the stockholders will vote a split on a 2-for-1 basis. Already this simple fact should help the situation. During the last few weeks the stock acted very disappointingly (dropping from 107½ to about 86). It was under severe pressure and is now available closer to the 1955 low than to the high.

We all know about the splendid cash position of the company, which is still the third-largest retail distributor of general merchandise and is, of course, the second-largest mail-order enterprise in the world. Only about one-quarter of Ward's sales is made on the instalment basis. Especially in this field do we find room for expansion.

Now we come to some of the imponderables in the situation. The top management has changed and has to be on its toes if a new upheaval shall be avoided; new policies are being established. Internal morale is strengthened. Sales have taken a more encouraging trend. There is talk of opening about 100 catalog offices. In case of a business setback there might be an excellent opportunity for expansion on a far more profitable and conservative basis than seemed possible only a little while ago. The company has about $300 million cash at its disposal and can write its own ticket.

Montgomery Ward common might not be exactly cheap but it is a stock with limited risk; it is off sharply; there is a chance of a merger with another big concern so that its operations could be balanced and an expansion program of its own avoided. It is not impossible that the company might ask for tenders of its own stock! We do not see a great improvement in earnings in the near future but are pretty sure of continued excellent dividends (on Jan. 14, 1956 stockholders received a payment of $2.25 including $1.25 extra). In the past, Montgomery has suffered from some old-fashioned policies which are being adjusted to the needs of the times.

Montgomery Ward common represents a calculated risk which will not bring you to the "brink of ruin." The stock is listed on the New York Stock Exchange and is currently quoted at 89½.

This Week's Forum Participants and Their Selections

A. T. Geyer & Hunt Formed in New York

A. T. Geyer & Hunt will be formed as of Feb. 1, with offices at 50 Broad Street, New York City to act as dealers in over-the-counter securities. Partners are Andrew T. Geyer and George V. Hunt. Mr. Geyer was formerly principal of A. T. Geyer & Co. Mr. Hunt was a partner in McLaughlin, Cryan & Co. and prior thereto was with Starkweather & Company.

George V. Hunt

Mr. Hunt is active in the National Security Traders Association and is a former President of the Security Traders Association of New York.

Joins Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—David R. Brenegar has joined the staff of Hornblower & Weeks, Johnston Building.

Churning

Decisions of Judge Wyzanski dealing with "churning" discussed. SEC intervention in private litigation decried. Legislation limiting SEC jurisdiction suggested as remedy.

In a series of five cases tried in the United States District Court, District of Massachusetts, in all of which J. Arthur Warner & Co., Inc., et al., were the successful defendants, Judge Wyzanski has written opinions which we regard as significant and enlightening.

The highlight of these cases was the alleged claim in each that the defendant dealer-brokers "churned" the accounts of the customer plaintiff.

In one of the complaints "churned" is defined to mean "engaged in transactions of purchase and sale of securities which were excessive in size and frequency in view of the financial resources and character of the plaintiff's accounts."

Four of the cases instituted by members of the Nash family were consolidated for the purpose of trial. In these the plaintiffs had comparatively little formal education.

It would serve no useful purpose to examine here a detailed schedule of the transactions upon which the parties had agreed, and which were incorporated in the opinion by reference.

Nor are we here concerned with other counts in the complaint and the defenses thereto, raising issues as to some of which no proof was offered.

However the defenses of "Statute of limitations" though technical were important.

The proof indicated, and the court found that the defendant broker was neither given nor did it exercise any discretionary power.

It was urged, and we believe soundly, that excessive trading is plainly not a violation of any Federal statute or Rule unless it be shown that the broker effected the transactions under discretionary authority from the customer.

In the pertinent part of the opinion Judge Wyzanski found that the defendants had not failed in any duty imposed upon them as brokers, fiduciaries, principals or otherwise.

He further held "even if there had been a breach of duty, which there was not, each of the plaintiffs by repeatedly accepting confirmations and accounts which fully disclosed all aspects of the transactions, elected not to rely upon that breach. Moreover, by failing reasonably to make complaints of facts of which each of the plaintiffs was informed, each would, in any event be barred from the late assertion of any wrong alleged to have been done."

Up to now there is no decided case in which a broker has been held civilly liable for excessive trading.

The entire concept of churning has been developed by the Securities and Exchange Commission, and used by it in disciplinary proceedings in an attempt to cancel the registrations of broker-dealers.

Knowing the ruthlessness of the S. E. C. we are not surprised that it submitted a brief "amicus" (as a friend of the court) in these private litigations that we have been describing, into which it had no business poking its nose. What a friend! A mere reading of that brief shows it to be partisan and intended to support the position of the plaintiffs and to oppose that of the defendants. True, semantics are used to claim impartiality, but the mask is off. A friend of the court indeed!

There ought to be a stop to this interference in private litigation by the S. E. C. It has become habitual and extremely costly to the taxpayers of our country. We suggest as a remedy that Congress re-define the juris-

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Articles and News Page

BALANCE OF CONTRIBUTORS TO "Business and Finance Speaks After the the Turn of the Year"

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* Column not available this week.

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Automatic Merger

By IRA U. COBLEIGH

Enterprise Economist

A concise current consideration of Sperry Rand, the result of a merger benefiting two leading enterprises in electronics and automation by combining their resources and research to promote greater progress and profitability.

When, on July 1, 1955, Sperry Corporation and Remington Rand Inc. were merged into the new Sperry Rand Corporation, the Remington became silent, but analysts were quite articulate about the virtues of this corporate blending. Sperry was heavy in defense production and a bear cat on on advanced electronic research. Remington Rand had majored in business and commercial production but it, too, had delved deeply into electronic applications, especially for computing and for automatic business machines. Further, Sperry had relatively slight debt, and a strong cash position, whereas Rand, at the time, had a sizable indebtedness and a somewhat close-hauled current cash position. Thus by balancing civil and military sales, by combining large scale research efforts operating in the same broad general areas, and by maximizing of plant, personnel and financial resources, the July marriage creating Sperry Rand was thought to be made in a sort of economic heaven (to paraphrase the adage). The delivery of 3¼ new shares for each old one of Sperry; and 2 new shares for each old one of Remington seemed most equitable.

Ira U. Cobleigh

So, having blessed the wedding and attended the reception, and, with the honeymoon now over, we'd like to take a fresh look, and see how this new family of 70,000 employees and 89,000 shareholders is making out. That'll be our stint for today.

On the military side the Sperry tradition, long associated with pioneering in gyroscopes, is being brilliantly carried on in research in, and production of, marine and aviation instruments, computing gunsights; automatic land, and anti aircraft artillery; gun and cannon fire control systems; hydraulic transmission equipment and devices; and almost every imaginable military application of gyroscopic or electronic principles. In the ultra modern fields of guided missiles, and the channeling of nuclear power, Sperry Rand appears uniquely equipped to exercise and sustain its leadership in technology. It is expected that somewhere between 45% and 50% of sales for the first merged year, will derive from government orders, which would include deliveries to the Atomic Commission and all branches of the services.

In the field of business appliances and office equipment, Remington Rand had long been an honored name. Probably almost everyone in America has, at some time, received a letter typed on a Remington. Well, the Remington is still going strong under the new banner. There's a broad line of office appliances, too—tabulating, calculating, adding and accounting machines, filing and recording, and photorecording, systems including the new Robot Kardex, which will instantly deliver, out of a cabinet containing hundreds of cards, the single one desired. This push button device is a vast labor saver, making possible, for example, finger tip control of extensive inventory items. But probably the most important, and by all means the most exciting Sperry Rand business machine is the "Univac," an amazingly complex electronic computer that can calculate, in moments (and deliver the right answer), problems that would take a dozen men and a covey of slide rules, years to solve. If you have in mind the purchase of a "Univac" to help you, say, figure out your income tax, you'd better brace yourself, for "Univac" costs around $1 million, and most users rent this super-Einstein Robot. There have been a number of smaller (and much lower priced) editions of this king sized electronic brain introduced, and sales and rentals of these computers are expanding at rapid rate. In the September quarter, $15.5 million in firm orders for "Univac" Electronic Systems were reported. With the formidable research facilities now available, look for Sperry Rand to broaden the horizons for automation in many bookkeeping, calculating and recording operations. The savings in costs created by reduction of clerical personnel, plus the dependable accuracy of automatic machines augurs well for substantial sales expansion, in this division.

But military devices and instruments, and office equipment do not complete the roster of Sperry Rand products. There are, in addition, the well known Remington multiple headed electric shaver, one of the largest sellers in the business. There are automatic packaging machines; and for the rural markets, automatic hay balers and harvesters. There's also specialized equipment for museums and libraries.

The fascinating thing about Sperry Rand is original research which, in the past, has brought to the point of practicality many of the items catalogued above; research of such breadth and quality that it may be expected to continue to supply new and profit laden automations for defense, business and commerce.

The Sperry Rand merger was of no mean magnitude. It welded together a corporate unit with $500 million in assets, $700 million in sales volume, and a total of 69 plants in the United States, Canada, England, Sweden, Norway, Holland, Australia and Puerto Rico. A definitely enlarged vista of profitability has been created. For the fiscal year ended March 31, 1955 combined results of the component companies were equal to about $1.75 per share on the present capitalization. Current indications are that the company is now earning at an annual rate of between $1.90 and $2 per share. Commercial business is believed to be contributing about 60% of net.

Capitalization consists of $118.4 million in long-term debt, 102,269 of $4.50 preferred selling at 101 and 25,216,200 common shares listed NYSE and now selling at 25. The current dividend rate of 80c providing a yield of around 3% is not particularly out of line for a company with such a heavy accent on the potential for future growth. (International Business Machines, for example, sells around 30 times earnings—and, by the way, Sperry Rand is reported to have instituted a lawsuit against IBM for $90 million. We have, however, no basis for comment on either the technical nature of this suit, or its possible outcome, here.)

Historically, considerable stability has characterized the earning power of the constituent enterprises. Sperry was incorporated in 1933 and has operated in the black each and every year since; and paid uninterrupted cash dividends from 1934 on. Remington Rand has paid regularly since 1936.

Persuasive to the continued success of Sperry Rand is its quite distinguished board of directors headed by General Douglas MacArthur, Chairman, and of course including Mr. H. F. Vickers, President.

With the corporate urge to merge never more intense than in the past year, it is pleasing to present such a logical and rewarding example of this popular financial fusion as Sperry Rand. By consolidating and strengthening the echelons of management, eliminating duplication of effort, and sharpening and broadening a two-pronged research program for both peace and war, SYR is now in a position to move forward with improved efficiency in two of the brightest areas of business endeavor — electronics and nucleonics. This is the age of robots and automatic mechanical slaves. Stock prices, too, are slaves — slaves of earning power. And in this vital matter of earning power, Sperry Rand appears definitely on the up-grade. Will SYR common be guided accordingly?

The State of Trade and Industry

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

Total industrial production for the country as a whole in the period ended on Wednesday of last week, showed a noticeable pick-up with increased output reported in the electric, automotive, food, lumber and paperboard industries.

Claims for unemployment insurance in the latest reporting week rose 2%, with Minnesota and Tennessee registering the most significant increases.

For the month of December seasonally adjusted employment in nonfarm establishments, according to a news release by the Federal Reserve Board, showed little change from the all-time peak reached in November and was 1,700,000 above a year ago. The average work week at factories continued about one hour longer than a year ago and average weekly pay was 8% higher than at the end of 1954. Unemployment was unchanged at 2,400,000, as hiring in retail trade was offset by seasonal curtailment in farm and construction employment, the Board observed.

Industrial production in December dropped seasonally to 141% of the 1947-49 average, according to the Federal Reserve Board.

It said, however, that taking seasonal factors into account, the level of industrial production remained about the same between December and November. The unadjusted rate is five percentage points under the previous month but 13 points above the level of December, 1954. The seasonally adjusted index held steady at 144% for the two months. In December, 1954, the adjusted index stood at 130.

For the full year 1955, the Board stated, industrial production was 139% of the 1947-49 average or an 11% increase over 1954.

During December, durable goods production drifted down slightly; non-durable goods output maintained its record level and minerals production advanced to a new high, the Federal Reserve Board noted.

All the talk over cutbacks in auto production is of little comfort to steel users who find it difficult to get what they need to meet production schedules, states "The Iron Age," national metalworking weekly, this week.

Many who rushed order in hand to steel company offices came away disappointed after learning that the auto slowdown will bring little or no relief to the steel shortage for several months, if then.

The news from Detroit, this trade weekly declares, brought to the surface the real underlying strength of the steel market in that it is based on demand from virtually all industry rather than on one particular industry, such as automotive.

"The Iron Age" has learned that the auto producers themselves are uncertain whether their first quarter sales will be off 5 or 20% from a year ago. This uncertainty makes them go slow in their cancellation of steel orders.

Apart from that, there is a possibility that the automakers may try to build their inventories to 45 days as a hedge against a possible strike in steel. Present inventories are about 30 days, with some types of bars and hot-rolled sheets a bit on the low side, this trade authority points out.

If there is any real relief in the cards for steel in 1956, it's unlikely to show up before mid-year. Orders continue to run ahead of production despite increased steel capacity. Order backlogs are still heavy. Deliveries on popular products are extended and steel capacity expansion now in the works will not make itself felt in the market for months, concludes "The Iron Age."

According to a year-end report of the Bureau of Labor Statistics of the United States Department of Labor there were fewer ups and downs in the cost of living last year than any time on

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Observations . . .

By A. WILFRED MAY

THE FORD OFFERING — AND MARKET PRICE

The Ford stock offering, apart from its many other epochal implications, serves to highlight the stock market community's problems—and foibles—in forming judgments about fair market price. This is so particularly because the absence of a previous market for this newly arrived stock deprives the investor who is groping for his opinion about the price, from relying on the so-called "technical" market factors — the "technical" approach, stemming from the convenient premise that the key to future price movements is to be found in previous market behavior.

A. Wilfred May

But even with the necessitated forebearance from this popular approach, and the tendency here more correctly to regard a share of stock as part ownership in a going business, the army of Ford stock appraisers —professional as well as amateur—have been pursuing another category of foibles.

The absence of a previous market for the stock also serves to eliminate the element of present and future price distortion now applying to most previously-listed issues. The broadcast variety of factors imaginable assuredly have been cited by all categories interested in judging the offering price; from the 5-share lay buyer to the highest-level underwriter charged with setting that $64½ tag (at the final press conference with the underwriter managers, the unvarying reply to questions as to whether this or that had been taken into account, was that "*everything* has been taken into account" by the price setters).

Yet, it seems to this writer that such consideration has as always been left on a superficial level, if viewed in a context of realistic hard-boiled value appraisal.

The factor of diversification has been frequently brought up; with the Ford Company's unfavorable contrast to General Motors in this area. But:—in the first place, who can say that Ford's broad diversification is not still ahead of it; and, in any event, how can the diversification factor be translated with any precision into market price?

Again, for example, the company's past losses (the period 1931-1941 showing a cumulative net loss) have been offered as a bearish aspect. But, in rebuttal the optimists-on-the-price can say that the subsequent earnings increases really demonstrate a *growth* situation—that most telling of *bull* arguments.

Most frequently, in ferreting out a yardstick for judging the offering price, the technique of *comparing* certain items of Ford with the similar measurements in the case of its industry competitors is relied on. These items have included ratio of net profit to invested capital or to sales; comparative book values; proportions of earnings pay-out; profitability of plough-back—all on a comparative basis.

The item on which greatest attention is paid, and regarding which the comparative approach is used, is the price-earnings ratio. In discussion and calculation, the multiplier—of earnings to get the price—is commonly calculated in accordance with past earnings fluctuations, the past performance of the competitor companies with various adjustments seeming proper — all on the fictitious assumption of some norm; and in any event, with characteristic omission of any real quantitative concept of the practical dollar-and-cents result to the share buyer from this or that earnings or dividend yield.

Price-earnings ratio has constituted another comparative yardstick used for drawing conclusions about the fairness of the Ford offering price. The comparison has been made chiefly with the corresponding statistic for the subject company's chief competitors, General Motors and Chrysler.

Fallacy of the Comparative Technique

The comparative approach in the case of all yardsticks, irrespective of the worthiness of their use by themselves, is fallacious and superficial. It is fallacious in doing what this column a fortnight ago called *Rationalization Through Comparison* to justify a market price without realizing that the other security cited as the reason for a market decision may well also be over- or undervalued. The constructive, logical course to follow is to consider what benefit is directly available to the investor—not whether some other medium is better or worse.

The Ford discussion highlights the prevalent superficial concepts of, and attitudes toward, the price-earnings ratio. It demonstrates the investor's proclivity to gear the multiplier, that is, the relation of the price to the earnings, to fictitious norms, including past market performances; rather than to calculable and logical meaning.

Actually, judgment about the favorableness of the buying price must be determined according to probabilities of giving the purchaser a fair break, including comparison with other media competing for his capital. Such determination of a stock's attractive price level, including the conference of realism on the price-earnings ratio, along with the earnings and dividend yield, may well follow the aim of having the buying price compensate the investor for the use of his money and the risk elements. The envisaged recouping of principal with interest, plus an increment of profit within a reasonable time, certainly represents an attractive medium for the use of capital. Under this approach, one would capitalize the expected long-term dividend receipts at a rate embodying the pure rental value of his capital, plus an amount of annual reserve sufficient to amortize the investment during the interval, with the amortization term adjusted to the estimated degree of risk.

Application to Ford

Applied to the Ford issue, this technique would work out as follows. First, to estimate the average dividend payment to be expected over the next 20-25 years, we would note the past earnings which have ranged from $4.93 in 1950 down to $2.21 in 1952, and up to an estimated $8 for 1955; and might assume for the long-term, including 10 million national car output years, average earnings of $7. Then we examine the company's financial strength, and see the exceptionally strong balance sheet, without funded debt; with cash and equivalent, at $600 million, exceeding total current liabilities; and a theoretical "net quick liquidating value," after the payment of all liabilities, of $12 per share. This balance sheet showing has two important implications. It justifies a liberal payout, averaging say $4. And it justifies the money-back amortization period comfortably to extend 25 years.

Realistic Implications of the Offering Price

The inquiring investor may at this point figure that at Ford's offering price of $64½, the average dividend of $4 will yield 6.2%; which return to him embodies the fair rental value of his capital (3%) plus an annual payback of 3.2%—which may be viewed as sufficient to give him his money back plus the full value of the equity, in 33 years; or as giving him the rental value of his capital plus the return of his investment above the present "net quick liquidating value" (thus throwing in the present plant, investments and noncurrent receivables of $1.2 billion, plus the plowed-back earnings gratis) in 27 years.★

Alternatively Calculating and Advantageous Price

Alternatively, one might calculate the buying price which would permit the annual laying aside of the rental value of the capital and amortization sufficient to give him his entire money back in 25 years, plus the equity as increased at the end of the term, gratis. This would work out as follows:

(1) Estimated annual dividend	$4
(2) Long-term rental value	3%
(3) Annual amortization reserve	4%
(4) Annual deduction, (2) plus (3)	7%
(5) Capitalization of dividend (1) at rate of (4) gives extremely advantageous buying price of	$57

Thus, a price of 57 would give the investor the rental value of his money, plus his money back, with the entire equity thrown in for nothing, in 25 years. Or, with more reasonable expectations, he may calculate that to get his money's annual rental value, and recoup his capital invested but after paying for the *present* worth of property, he can pay $70 per share.

None of the approaches are to imply slide-rule exactitude or precise appraisal, but merely to indicate, on the basis of realistic criteria, an advantageous buying range.

On these assumptions and under any of our alternative calculations, the hard-boiled investor may thus conclude that the offering price of $64½ for Ford stock gives him a very fair break.

★ The incidence of the individual's income tax must also be recognized, with the possession of the amortization fund affording a partial offset.

John Deutsch Now With Lehman Brothers

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, have announced that John Deutsch has become associated with the firm in its Chemical Department. Mr. Deutsch was formerly assistant to the President of General Aniline and Dye Corporation from 1947 to 1952, previous to which he was with the American Cyanamid Company.

The Outlook for Banking, Credit Demand and Interest Rates

By ROY L. REIERSON*
Vice-President and Economist,
Bankers Trust Company, New York

Banker sees money market passing tight credit peak with moderate credit growth and restraint relaxation in a year of new Gross National Product high at a lower rate of business expansion. Considers the 30-month upturn unusually long, lending weight to these beliefs: (1) Bank loans to increase at a smaller proportion than 1955; (2) slowing down of instalment, home mortgage, sales finance company borrowings; (3) lowered Treasury borrowings with a possible $2.7 billion long-term offering; (4) increased flow of funds into savings institutions, and (5) eased short-term interest rate to accompany any minor relaxation but prime rate remaining steady, and bond yield rise subsiding.

At this season, bankers, as their colleagues elsewhere in the financial and business community, tend to display heightened interest in the prospects facing them in the year ahead; this is the time for stock-taking, for appraisal, for forecasts. In these efforts, however, bankers are at a distinct disadvantage. Developing a point of view with regard to the banking and credit outlook requires appraisal not only of business trends but also of the reactions of the monetary authorities to economic change and of the manner in which these assumed developments may be reflected in the credit markets. Thus, opportunities for misjudgment are compounded and uncertainties are magnified. Fortunately, however, banking is a flexible enterprise; bankers have proven themselves quite adept at taking the miscalculations of economic forecasters in their stride and in shaping their lending and investing policies to meet changes in business conditions as they develop.

Roy L. Reierson

*An address by Mr. Reierson before the American Bankers Association 8th National Credit Conference, Chicago, Illinois, Jan. 18, 1956.

Business Prospects

Since credit demands, credit policies and interest rates all tend to take their cue from the course of the economy, a brief comment on the business outlook is an essential first step. Unfortunately, we encounter some difficulties at the very beginning, for while most economists would agree that 1956 bids fair to be another banner year, there is considerable difference of opinion regarding the likely patern of business during the next 12 months. This is regrettable, for whether the economy continues to expand, levels of, or turns downward in the course of the year, is a matter of crucial significance of the banking and credit environment we may reasonably expect. In addition, the imponderables of business conference, election-year politics and renewed international tension all defy logical apraisal. Having noted all this, however, we may nonetheless proceed with an attempt to formulate the point of view which seems most reasonable at this time, bearing in mind the need for constant re-examination of the outlook as the year unfolds.

The Upward Trend—The economy has now completed some 1½ years of sustained expansion, taking the shape first of a recovery from the 1954 sag, but soon sweeping to new peaks of income and output. Confounding the pessimists and the stagnationists, this upturn had its roots in the private sector of the economy; business activity began to rise at a time when government spending had been cut back and war scares were in abeyance. Thus, we are now enjoying what may be described as the first "normal" business upturn of the postwar period. Moreover, the pace of economic expansion has demonstrated impressive steadiness and staying power; recovery was initially stimulated by the strength in home building, the automobile market and consumer buying in general; more recently, it has been sustained by the buildup of business inventories and by increased outlays on business plant and equipment.

Indeed, despite the continuing weakness in agriculture, the strength of the economy in recent months has been such as to give rise to some concern. Several basic industries have reached capacity operations, shortages of materials have begun to appear, and prices of industrial commodities have climbed at a quickened pace. Should the outlook indicate continued rapid expansion in demands for goods, we might justifiably entertain serious doubts regarding the economy's ability to resist the acumulating inflationary pressures.

Signs of Easing—It is therefore not altogether disconcerting to perceive signs that demands in some sectors of the economy are beginning to subside. Residential building has already slackened somewhat from its hectic pace of a year ago, and prospects are that the seasonally adjusted annual rate of housing starts in the next few months will be lower than it has been for some time. Land and building costs have increased, and the less generous lending terms of insured and guaranteed mortgages are probably having some effect, although this is difficult to assess. In any event, builders have trimmed their plans and applications for FHA mortgage commitments and VA guarantees have dropped sharply.

Automobile production has also been cut back, and the industry itself, which usually leans toward highly optimistic forecasts, sees automobile output in 1956 some 12-15% below last year. This more cautious view appears substantiated by the fact that instalment credit had risen rapidly in 1955, the competitive relaxation of lending terms seems to have run its course, personal incomes are not likely to expand as sharply this year as in 1955, car prices have increased, and model changes for 1956 have been minor. By the same token, it is a good guess that the market for consumer durable goods in general will be less strong than last year.

Viewed against the backdrop of the economy as a whole, however, it it difficult to become greatly disturbed over the prospect of declines that so far seem pretty well limited to housing and automobile production. In the first place, indications at present are that both residential starts and the number of passenger cars produced in 1956 will still be high in comparison with previous good business years. Moreover, impressive strength is still evident in business investment spending and in nonresidential building and construction; business inventories still appear low in relation to sales; Government outlays—Federal as well as state and local—continue on the rise. Unfilled orders are still expanding, and while new orders may be levelling off, no persistent downtrend is apparent so far.

For the time being, consequently, it seems reasonable to expect any decrease in home building, automobile output and the like to help relieve some of the pressures upon the supply of steel and other basic raw materials rather than to precipitate a general downturn. Reduced markets for housing, automobiles and other consumer durable goods will have some effect upon indicators of aggregate business activity and, of course, upon the buoyancy of business sentiment. Over the next few months, however these developments may well have the beneficial result of tempering a pace of business expansion which, were it to continue undiminished, would assuredly contain a rapidly growing threat to economic stability.

A Turning Point—Present indications thus endorse the likelihood of some slowing down in the rise of output in 1956. The gross national product—the dollar output of goods and services in our economy—is likely to be moderately larger than last year, the more so as the commodity price index will probably continue to inch upward for some time; however, the increase in output even in dollar amounts may plausibly be expected to be considerably below the 7½% gain achieved in 1955.

Furthermore, it would be surprising if the direction of the economy were to remain upward through all of 1956. In the course of the year, business inventories in the aggregate should be fully rebuilt, and businessmen are unlikely to keep adding to inventories at a rapid rate throughout the year. Also, by the end of the year, the business upturn would have lasted almost 30 months, which would be an unusually long period for a cyclical expansion. Thus, some sag in business activity before the year-end seems a reasonable guess, but unless unforeseen developments should undermine confidence on a large scale, any easing of business is unlikely to assume great magnitude in 1956.

Demands for Bank Loans

The expansion of bank loans in 1955 was far greater than had been generally anticipated at the start of the year, and this despite the fact that during much of the year the Federal Reserve was following a policy of credit restraint. The growth in business activity, coupled with the shortage of current savings in the face of sharply increased investment demands, resulted in a record rise in the volume of bank loans; practically every type of lending except on securities showed astoundingly vigorous growth.

Despite this sharp upsurge in bank lending, the credit picture lacks any real signs of near-term trouble. Admittedly, mistakes in lending policy are not easy to detect at a time when the economy is flourishing, and one is entitled to harbor the suspicion that lending standards may have suffered some deterioration. However, the record shows that delinquencies on instalment credit continue very low despite the rapid growth in loan volume and the relaxation of terms; experience with real estate mortgages also remains favorable. Some business borrowers may have overextended themselves but loan portfolios generally appear to be in good shape. In all, it is difficult to detect evidence of that vulnerability of credit which usually appears at the crest of an economic boom. Rather, the outlook indicates some further expansion of bank loans, at least over the near future.

Smaller Increases Ahead—Last year's experience illustrates once more how difficult it is to predict the behavior of bank loans. Developments in 1956 could well prove as surprising as was the unexpectedly large growth in 1955. Nevertheless, it is hard to foresee in 1956 another lending year as big as 1955. In fact, if the assumption that the rate of business expansion will moderate is at all tenable, bank loans in 1956 should rise by considerably less than the $11 billion by which they expanded in 1955.

Instalment credit, which contributed so importantly to higher loan requirements in past year, is hardly likely to continue a $5 billion a year rate of growth. Experts in this field estimate that even if 1956 should be as good an automobile year as was 1955 the rising level of repayments would hold the net increase in automobile credit to no more than $1½ billion; given some reduction in consumer buying of automobiles and other durable goods in 1956, the volume of instalment credit outstanding could well show little net change for the year. At the same time, with housing starts reduced, the increase in home mortgage debt outstanding in 1956 is not expected to match the record $13½ billion growth achieved in 1955.

Business borrowings are likely to display strength at least over the next several months as inventories continue to be built up at a more rapid pace than in the comparable period a year ago. Moreover, borrowings for income

Continued on page 69

All of these Shares having been sold, this advertisement appears only as a matter of record.

10,200,000 Shares

Ford Motor Company

Common Stock

($5 Par Value)

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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:

Atomic Commentary—Semi-annual report on status of industry as of Dec. 31, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, Northwest, Washington 7, D. C.

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

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

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

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.

New York Bank Stocks—Comparative figures at Dec. 31, 1955 —The First Boston Corporation, 100 Broadway, New York 5, N. Y.

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

Non Ferrous Metals Industry—Brochure—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **International Telephone & Telegraph** and **W. R. Grace & Co.**

Northern New Jersey Banks—Report as of Dec. 31, 1955—Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

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.

Silver Market in 1955—40th annual review—Handy & Harman 82 Fulton Street, New York 38, N. Y.

Steel Industry in Japan—Analysis in current issue of Weekly Stock Bulletin—The Nikko Securities Co., Ltd., 5, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Tax Status of Dividends on Investment Funds for 1955—Tabulation—Taussig, Day & Company, Inc., 509 Olive Street, St. Louis 1, Mo.

Treasure Chest in the Growing West—Book explaining why area served offers so much opportunity to industry—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

* * *

Atlas Credit Corporation—Bulletin—George A. Searight, 115 Broadway, New York 6, N. Y.

Chain Belt Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is a tabulation of stocks widely held in Wisconsin.

Cornell-Dubilier Electric Corp.—Memorandum — Walston & Co., 120 Broadway, New York 5, N. Y.

Delta Air Lines, Inc.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dover Corp.—Memorandum—Kentucky Co., Kentucky Home Life Building, Louisville 2, Ky.

Guardian Finance Corporation—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C. Also available is an analysis of **Penn Fruit Company of Philadelphia.**

International Harvester—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Leon Land & Cattle Company — Bulletin — Boston Securities Company, Tower Petroleum Building, Dallas 1, Texas.

Eli Lilly Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Marlowe Chemical Company, Inc.—Report—General Investing Corp., 80 Wall Street Street, New York 5, N. Y.

Nipissing Mines Company Limited—Analysis—L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

North American Cement Corporation — Analysis — Frank C. Masterson & Co., 64 Wall Street, New York 5, N. Y.

Pacific Uranium Mines Co.—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Penn-Texas—Special report—McLaughlin, Cryan & Co., 1 Wall Street, New York 5, N. Y.

Riverside Cement Co.—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

United Aircraft—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Warner & Swasey Company—Analysis—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Western Natural Gas Company — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **American Hospital Supply Corporation.**

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

Whirlpool-Seeger—Data—Bruns, Nordeman & Co., 52 Wall St., New York 5, N. Y. Also available in the same bulletin are data on **Columbia Gas System.**

Rudolph Wurlitzer Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

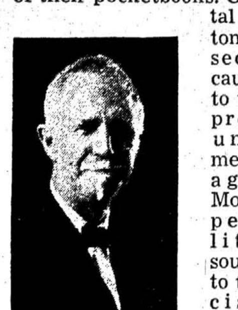
The Baltimore Security Traders Association will hold their twenty-first annual dinner on Friday evening, January 27, at the Southern Hotel. Tariff $13.00. Ticket and room reservations may be obtained from William C. Roberts, Jr., C. T. Williams & Co. Charles A. Bodie, Jr., Stein Bros. & Boyce, is Chairman of the entertainment committee.

Budgeting and Investing

By ROGER W. BABSON

Increased capital and rising production found dependent upon labor and savings. Noted advisor recommends a definite savings and investment plan for the average man between 30 and 50 to provide for future security and to help feed the productive process.

Most people seem content to live from day-to-day irrespective of their pocketbooks. Governmental "womb-to-tomb social security has caused people to take lightly problems of unemployment and old-age security. Most young people give little or no sound thought to their financial futures. They, therefore, never get even the few dollars necessary to get themselves started on the road to successful investment. Surely, the birds who build their nests (homes) before they raise their young, set us a good example.



Roger W. Babson

Men and Money

My father used to tell me that a man who systematically spends less than he gets, automatically becomes an employer; while a man who spends all he earns, automatically remains a wage earner. Father insisted that the business of saving had nothing to do with how much money a person had, or the amount of his salary. "Some people with very large incomes never save anything," he used to say.

It has been my own observation that partners in business and partners in marriage tend to get along well as long as there is plenty of cash in the bank. It is when the bills come in, and there is no money with which to pay them, that trouble begins. The only way to assure financial or marriage success is to tell your dollar where to go instead of asking where it went.

Main Investment Problem: Saving

Your first step in an investment program is to save some of your income each week. The next step is to make your savings produce some more income. I am a firm believer, however, that it is cheaper to pay the grocer than the doctor; hence a budget should be drawn up which puts first things really first. Many of my clients tell me that they are handicapped by spending too much on rent, or its equivalent in taxes, repairs, insurance, etc., on property owned. The best thing that could happen in many households today would be to cut down household labor costs by getting the children to help more with household chores.

To start a budget, one ought to determine from experience and from old bank statements and canceled checks what his probable expenses will be for the year ahead. My observations through the years are that a man with a family of four who has a net income of $4,000 (after income and social security taxes) ought to hold his living expenses to about 75% of the $4,000. About 42% of this would go for food and clothing; 33% for housing and transportation. Right here I think many families, especially in the lower-income brackets, will find that they are paying altogether too much for their transportation in the form of a new automobile which they cannot afford. If they want to get started on a sound investment program, they better pay more cash, and use less credit. Six percent is budgeted for benevolence and the church; 6% for personal and miscellaneous items. This leaves about 13%, or $545, for insurance, savings accounts, and investments. Let us hope that $220 dollars of this will go for life insurance premiums. This would leave $325 a year to save and invest otherwise.

Plan for Saving and Investing

A study of the average man's financial independence is generally shocking to most people. About 30% of the men 55 years of age are not self-supporting. The real tragedy of this situation, as I have seen it, is that the average man made enough money between the ages of 30 and 50 to keep himself and his family in comparative ease for the rest of his life. He just never got around to a definite plan of saving and investing. Does it not seem senseless for you to work hard the best part of your life to get a few dollars if those dollars earn nothing for you after you get them? It is highly important to learn early in life how to budget, save, and invest.

Important capital is created only by labor and saving; those who consume less than they produce, turn their surplus back into productive channels to increase the nation's store. Investments, plus bank deposits, are the way in which capital is increased. Increased capital means increased production. Greater production means more wealth. More wealth means more to be distributed among those who take part in production. Greater production means more consumable goods and services at lower prices for all of us. This is the democratic way of raising our standard of living.

Hastings Nominated To S. E. C.

WASHINGTON, D. C.—Earl F. Hastings of Glendale, Ariz., has been nominated by President Eisenhower for membership in the Securities and Exchange Commission to complete a term expiring in June 1959 of A. Jackson Goodwin, Jr., who has resigned. Mr. Hastings is Director of Securities for the Arizona Corporation Commission.

Trubee, Collins to Admit T. Rogers

BUFFALO, N. Y.—Trubee, Collins & Co., M. & T. Building, members of the New York Stock Exchange, on Feb. 2 will admit Townsend Rogers to partnership.

The Impact of Atomic Energy On the Oil and Gas Industry

By GORDON DEAN*
Associate, Lehman Brothers, New York City
Senior Vice-President, Nuclear Energy,
General Dynamics Corporation, New York City

Former Chairman of the Atomic Energy Commission concludes there is no fear of atomic energy displacing existing sources of energy since at most it will supplement existing fuels. Plentiful supplies makes the U. S. last to be affected by atomic energy and for the present is viewed as no competitive threat to air, land and water transport users of conventional fuels. Says energy demand is rising faster than the population increase, and expects greatest future utilization of atomic power generation of electricity.

I have been asked to talk to you concerning the possible impact of atomic energy on the petroleum and natural gas industry. As a group engaged in the construction of pipelines for these two fuels, you are naturally interested in whether the new fuel, uranium, is going to make a serious dent in your business.

Gordon Dean

Let me say at the outset that I do not think that the impact of atomic energy on the oil and gas industry is something to be feared. I visualize this new force as supplementing existing fuels, rather than replacing them, and I'd like to explain to you why I think so.

First, let's examine what we are talking about when we speak of atomic energy. One of the things which distinguishes uranium is that only 7/10ths of 1% of it is really useful in the production of energy. In any given portion of uranium, there are 139 atoms of U-238 which are, for all intents and purposes, useless, and there is one atom of U-235 in which we are interested—for this is the atom which will fission, or, if you will, explode and produce heat.

When uranium metal is brought together in sufficient amount and in certain geometric arrangements, we get what is known as a chain reaction; that is, the U-235 atom fissions, releasing neutrons which hit other U-235 atoms which, in turn, split, and so on. The splitting, or fissioning, releases great quantities of heat, and that is why we speak of the gadget in which the uranium is placed as a reactor, or pile, or nuclear furnace. What we have accomplished by all this is simply to produce a new source of heat, and we produce it by a new kind of fuel—uranium.

To convert this into electricity, thus making it useful, we must still go through the same steps as any powerhouse — capture the heat, convert it to steam, take the steam to the turbines and to the generators, and finally to the transmission line. As you well know, in this process 80% of our energy is lost, but there is no way of getting electricity directly from fission.

Uranium faces the same heat loss problems as any other fuel. Now the problem is how competitive is this new source of heat with the heat which we get from oil, gas, wood and coal? This is important to the oil and the gas industry because whereas in 1918 oil and gas supplied 15% of the total energy of the country, today it supplies close to 60%, and a great industry has been built around it.

One of the first things that is quite clear is that the United States is going to be the last affected by the encroachment of the atom simply because we have, not unlimited, but very large, amounts of coal, oil and gas. Other countries of the world, on the other hand, are less privileged, some having no fuel, and others, such as England, high-cost fuel. In England, the need for a power source, independent of coal, has led the British to build about a dozen rather large reactors, and Britain, by 1975, expects atomic energy to meet 40% of her power requirements.

A similar situation faces West Germany, and it is this very incentive to get cheap power which will probably bring Germany very fast among the leading atomic energy countries of the world, even with her slow start.

In the United States in the larger cities we can furnish power at 6 or 7 or 8 mills per kilowatt-hour. In parts of Australia and Japan, it will run from 18 to 30 mills per kilowatt-hour; in Belgium, about 12 to 15 mills per kilowatt-hour, and in some of the remote regions of the world, as high as 4 or 5 cents per kilowatt-hour. The incentive, therefore, to get the most out of the atom is much greater in other countries than it is in the United States. It is hard, and it is risky, to crystal ball, but I would probably not be far off to say that by 1975 in this country, only about 10% of our power needs will come from atomic energy, and much of that is not in competition with oil or gas, but rather with coal.

The place where atomic energy is most apt to be utilized is in electric power plants, and even when the day comes that it is substantially used for this purpose, it can have very little effect on the oil industry—for the total amount of residual fuel used for power generation in the United States in 1953 represented only 3.3% of the total volume of crude run. As Mr. Robert Wilson, Chairman of the Board of the Standard Oil Company of Indiana, observed, "Even if we lost our central power-plant business entirely during the next 25 years, we would hardly notice it; in fact, we might well lose it to coal long before that, and no tears would be shed."

Of course, natural gas is also used to make electricity, but the amount used represents only about 18% of the country's total fuel for electric power.

Just about the biggest single use for fuel oil today is for ships, including tankers. Is this market likely to be invaded by the atom? You are all aware of the fact that the "Nautilus" and the "Sea Wolf" submarines are propelled by an atomic power plant. This is not to say, however, that the cost of the power in such a plant is competitive with the cost of other fuels. It is very far from it, but there was a special reason for putting an atomic power plant in a submarine. A submarine below the surface runs on batteries because a combustion engine requires oxygen for its operation; in order to survive, it must surface to recharge the batteries. When it surfaces, it's a target for the enemy. But with an atomic power plant, it can remain submerged for an almost unlimited period. During the ship's shakedown cruise in the spring of 1955, the "Nautilus" made a 1,300 mile run from New London, Connecticut, to San Juan, Puerto Rico, completely submerged. It was the greatest distance, by a factor of ten, ever steamed, completely submerged, by any submarine, and it maintained, submerged, an average speed of 16 knots for the entire voyage. In short, the "Nautilus" is able to cruise around the world without refueling. For this the Navy is willing to pay a price—a price far greater than that of a regular power plant, simply because it gives to her a far more effective weapon. The likelihood is, therefore, that the Navy, in its new construction of submarines, aircraft carriers, and even escort vessels, will go the nuclear route.

But does this mean that our Merchant Marine, our commercial ships, will do likewise? As of today, the atomic reactor, cost-wise, cannot beat oil. It may be that in a period of 15 years, the oil industry will lose the fuel oil business of some of the larger new ships. But again, as Mr. Wilson says, "What of it?" The impact would be slight.

Another field in which atomic power has its attractions is in the field of nuclear propulsion of aircraft. This, today, is a military necessity. The primary advantage of such aircraft is, as in the case of the submarine, one of unlimited range. If we can develop a power plant for a large bomber, and various groups are working on this in the United States today, there is no reason why it should ever face fuel limitations. There is no reason, for example, why it should not be able to fly non-stop around the world, or, if it made any sense, twice around the world. The weight of fuel is the serious limiting factor in all airplane designs, and a nuclear power plant would solve the problem. One of these days, we will have it. There is nothing inherently impossible in the situation. I should point out, however, that it presents some serious problems, and these are the problems which arise from radiation. The crew must be carefully shielded from the radiation. Those on the ground at take-off and landing must be shielded from the radiation. And the flight patterns of the plane must be carefully worked out so that in the event of a crash, dangerous radioactivity is not spread in a populated area. It is this very troublesome problem of radiation which, today, keeps one from thinking too optimistically about the incorporation of reactors into the commercial planes of the future. If all flights could be over water, this would not be too serious, if there were a real cost incentive. But I seriously doubt that any commercial airline will ever

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*An address by Mr. Dean before the Eighth Annual Meeting of Pipe Line Contractors Association of America, Boca Raton, Florida, Jan. 16, 1956.

Lanston Refutes Sproul on Credit, Open Market Policy

By AUBREY G. LANSTON*
Aubrey G. Lanston & Co., Inc.

Prominent government security dealer opposes selective credit control, extension of open market operations, and additional discount rate increase. Mr. Lanston wants: (1) revised Federal-State laws to subject similar lending operations to the same interest, reserve, Federal, tax and other regulations so that finance companies and savings and loan associations lose unfair competitive advantage over commercial and savings banks; (2) single board to administer VA, FHA programs under Reserve credit policy, and (3) confine open market operations to bills. Anticipates money supply increase offset by reduced non-bank liquid assets, gain in savers' higher earnings, and improved credit-monetary operations. Agrees with Mr. Sproul's desire to see crossfertilization of business practitioners' and theoretical economists' ideas.

Two weeks ago, the President of the Federal Reserve Bank of New York, Allen Sproul, delivered a talk before a joint luncheon of the American Economic Association and the American Finance Association. [See "Chronicle" of Jan. 5 — Ed.]. Mr. Sproul is always a most interesting speaker and he usually has some things on his mind about which he is willing to talk plainly, with force and with persuasion. On this occasion, Mr. Sproul framed a plea and offered a challenge. I would like to talk to you about some of the things that he went into because your concern must cover matters that have been made the subject of public discussion by a leading central banker. Later, I will offer such points of view as I have on the prospects for interest rates over the near-term future.

Aubrey G. Lanston

*An address by Mr. Lanston before the Investment Group of Hartford, Hartford, Conn., Jan. 11, 1956.

Mr. Sproul asked the theoretical economists to join more actively in public discussion of the principal issues that affect monetary policy, to draw the issues more closely so that these will attract public attention and to promote public understanding of them. He spoke of the need for more cross-fertilization and critical analysis of points of view, within the Reserve System, by the thoughtful and disciplined minds outside of it. In his accustomed forthright and pleasing manner, he chided the theoretical economists for having occupied themselves too much with the refinement of old ideas which were no longer relevant, with attempted applications of mathematical equations to situations so dependent on human behavior as to make these unamenable to the problems, to dealing in utopian terms more applicable to a dream world, and, to leaving the tasks of contributing to public policy and to private well-being to the improvised judgments of practitioners who lack the time or the equipment to work out a consistent basis for necessary actions.

The mention of a lack of time or the equipment struck a familiar note to me because although, as Mr. Sproul implied, the theoretical economists may not have sufficiently coped with the practical aspects of the problems I have found, as I imagine you have, that it is easy to become so absorbed in the work at one's elbows that it is difficult to dig oneself out of the immediate, and relatively small, problems to devote the necessary time to the larger problems of money and central banking.

Moreover, since I lack academic training in theoretical economics any attempt on my part to think through in these matters requires more than the average amount of homework. In this respect I have found my economist friends most patient and of inestimable help. I should acknowledge my indebtedness to them for the number of occasions when they have cured me of some near-sighted views related to economic principle, to my great advantage. I also want to say that I have found the theoretical economists are as eager to grasp news of and knowledge of the practical sides of monetary and credit matters as I have been to learn from them. Hardly a week goes by without some evidence of this coming to me at first hand through thoughtful notes and letters from those in academic life to whom we send our weekly letter.

"Crossfertilization" Desirable

Consequently, it occurred to me as I read this part of Mr. Sproul's talk that the idea of crossfertilization could be carried further than exchanges between the theoretical economists and the able men in the Federal Reserve System. In this room there is an accumulation of practical knowledge that could be turned to great public advantage if you were to find it possible to pull away more frequently from the work at your elbows to exchange notes on the practical and theoretical aspects of banking and central banking problems.

I do not know whether the impression that I have is a fair one or not but it also seems to me that too often, when monetary and credit policy come under public scrutiny—in public forums in Congress or in the press or elsewhere—more is heard from the authorities and the theoretical economists than is heard from practical men such as yourselves. Perhaps this is because it is difficult to find the time that will permit the necessary arrangement of thought. But, I do believe that those of us who must think so often about the workings of monetary and credit policy should enter more fully into public discussions of the important aspects and problems that arise. I propose to do so here and I hope that I shall set a good, rather than a poor, example.

Mr. Sproul said he hoped to see a renaissance in the study of money and banking in general and of central banking in particular. He also mentioned two specific areas of credit as being troublesome. Mortgage and consumer credit, he said, should be subjected to selective controls. He expressed himself as having remained unhappy that the System continues to confine its open market operations to bills. (He offered no comment on the lapse that occurred last November.) He reasserted his preference that the System be free to buy and sell Treasury securities throughout the entire range of maturities and he asked for help on this score from the theoretical economists.

Three Parts to Monetary Policy

There is one point that I would like to make clear before going further. To me, credit policy is only one part of monetary policy. It seems to me, therefore, that when we discuss the efficacy, power or weaknesses of Reserve credit policy, we must keep in mind that the Federal Government's decisions in areas such as mortgage credit may have run, and still be running, parallel to or in contradiction with the credit objectives of the Federal Reserve. Further, we need to keep in mind that Reserve credit policy is really only one part of over-all monetary policy. Treasury debt management is a second part. The results of fiscal policy are a very important third part. When, therefore, we are asked to consider the degree by which Reserve credit policy has or has not helped to shape the economy to our liking, we have to consider what the Federal Government has been doing in certain credit areas, what the Treasury has been doing in managing its debt and the condition of the Federal Budget. E.g., we might visualize the shape of the impact on the economy from monetary policy as the area within a triangle, the three sides of which represent the three principal parts of monetary policy. If the desired shape of the economy is that which would appear when the three sides of the triangle are of equal length, it should be obvious that this shape cannot be produced if one side of the triangle is too long or short. Yet for many years, including recent ones, the Treasury budget has been either too long on expenditures or too short on receipts. Neither monetary nor credit policy can be expected to shape the economy as perfectly as some critics call for under such circumstances.

I have asked to have passed among you a very simple tabulation which shows three things (See accompanying exhibit). At the top of the exhibit there is a tabulation that indicates the relative growth of the four major types of financial institutions that are substantial holders of mortgage credit.

In center of the exhibit there is a tabulation that shows the growth in the mortgage holdings of these institutions. (That shown for insurance companies is not entirely comparable for the reason given in the footnote. Our research department advises me that, of the total increase shown for "other" mortgages held by the life insurance companies perhaps one-third were commercial and two-thirds were residential.) It also may be seen from this tabulation that, except for acquisitions of VA and FHA mortgages, the terms for which are set by Federal agencies, the great growth in the holdings of conventional-type residential mortgages took place among the savings and loan associations. These associations seem to have been having a merry time.

Certainly even these fragmentary statistics make it clear that if mortgage credit were to be subjected to effective selective control, some provision would have to be made to insure that the terms and regulations governing VA and FHA loans and the various other activities of the Federal Housing and Home Finance Agency would have to be made consistent with the aim of the administrators of such a selective control. Further

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A Current Banking Problem

By ALLAN SPROUL*
President, Federal Reserve Bank of New York

Prominent central bank official, noting continuous "battle" between commercial banks, savings banks, and savings and loan associations respecting their overlapping operations; urges a thorough nationwide study to establish a fair field in which all parties may appropriately exercise their functions. Asserts savings and loan associations have been given certain unfair privileges and advantages; including access to short-term banking funds. Also notes skepticism about "our whole tangle" of laws and regulations regarding branches of banking and thrift institutions

In the past I have used this occasion, at times, to make a few remarks on some current banking problem. At other times I have been more cautious, and have merely expressed the pleasure of the Federal Reserve Bank of New York in having the members of the New York State Bankers Association as its guests. Today I am going to go somewhat beyond the formal and the safe, although still expressing our pleasure in being your host.


Allan Sproul

I am not joking about the safe part of it. What I am going to do is to inject myself a little way into the fight which has been going on for some time between and among the commercial bankers and the thrift institutions, and to essay the role of friend of all parties. This is a dangerous role and, more often than not, results in the combatants turning on the amateur peacemaker. And since the peacemaker, as in my case, usually doesn't know all there is to know about what caused the fight, he is fairly open to attack. Nevertheless, since I speak with nothing in my mind and heart but the best interests of our financial institutions, and the public which they serve, I am ready to run the risk.

The Institutional Battle

The fight I am referring to is the battle which has been going on intermittently, but for some time, between the commercial banks, the savings banks, and the savings and loan associations, with respect to their overlapping fields of operation. It has seemed to me that, perhaps, in the heat of combat over relative advantages, the common interests of all parties, and of the public, have tended to be submerged. And yet these are the interests which should and, in the long run, will determine the outcome.

I hope, therefore, that in the studies which are now being made by the State, by your Association, and by others, this broad objective will be kept to the fore, and that some of the narrower differences among you, which have generated so much heat in the past, will occupy a place of less importance. What should be the goal of all parties to these disputes is a fair field in which to exercise their appropriate and partly competitive functions.

The question then becomes what is a fair field for healthy competition in the provision of complementary and sometimes overlapping services? To that question there is no easy answer, given the fact that we start out, not from scratch, but from the midst of a thicket of inherited laws, rules, and practices. In this thicket, some aspects of healthy competition may have become qualified and diluted so that one segment of the public ends up paying for advantages enjoyed by another segment, with no net gain and, perhaps, some net loss to the community as a whole. If there is to be an answer to a hard question, therefore, which will satisfy the reasonable requirements of reasonable men, I think it must come from a complete re-examination of our banking and thrift organizations at the place where they meet and serve the public.

We shall have to start from the premise that these various institutions, by and large, operate in the field of regulated business, and in a field in which there is so high a degree of public interest as to require commensurate public regulation. But the regulation has been and is at two levels, national and state, imposed by different hands in different ways, and its incidence has not always been equitable. Of the differences which have aroused you, many have grown out of this situation, and they are not the kind of differences which can be resolved solely by competitive forces, or by individual state action.

Unique Position of Commercial Banks

The commercial banks occupy a unique position in this complex, because they are the only institutions which, in a sense, "create" credit—not out of nothing to be sure, but because of their ability to create deposits in exchange for other less liquid assets or the carefully assessed ability of borrowers to create such assets over time, all on the basis of a fractional reserve system. If commercial banks confined themselves to commercial loans, short-term liquid investments, and demand deposits, of course, they would be much less involved in current controversies than they are. It is the present day department store commercial bank, with its mixture of demand and time deposits on the liability side, and of various kinds of loans and investments of various maturities on the asset side, that brings the commercial banks into the conflict. Because they believe, and with some reason, that this is the only kind of institution which can provide a community with all the different kinds of banking and thrift services which it needs, the commercial bankers have tended to assert what would seem to be a pre-emptive right to operate in certain areas. They have argued that the intrusion of thrift institutions, or their branches, into these areas might make existing commercial banking ventures unprofitable, and eventually result in a deterioration of the rounded services needed by the communities served.

And this kind of argument, in turn, leads into the controversial question of present laws and rules with respect to unit and branch banking, because the ability to survive under such conditions, and to continue to provide complete banking services to the community, may depend in many instances on the institutional form of the commercial bank. Without trying to develop that ticklish theme further, I think it can be said that the commercial banks and the thrift institutions have split largely on the question of whether commercial banks can continue to exist, in some areas, if deprived by local competition of part of their savings deposits, and whether this would not mean that the communities concerned would be deprived of complete and adequate banking service.

The mutual savings banks have also come a long way since they were small struggling institutions gathering together the deposits of small savers in a more or less single-handed battle to promote thrift as well as to marshal community funds for investment. The size and variety of their operations have been expanded around this core of purpose and being, so that they now seem to be trying to do many of the same things that the commercial bankers do. And yet, it is claimed, they still retain privileges and exemptions which were appropriate in their earlier status, but which tend to weight the competitive balance in their favor now. And so there is greater opposition than there otherwise would be, I assume, to the expansion of the field of their operations, even where movements of population are tending to deprive them of some of their potential depositors.

The Savings & Loan Associations

Finally, for the purposes of this brief comment, there are the savings and loan associations, those special purpose institutions which have been aggressively successful in creating a widespread public belief that they accept savings deposits and operate pretty much as do mutual savings banks or the savings departments of commercial banks. In their present form and importance, they are largely the creatures of a revolution in methods of financing home purchases and home building which has taken place during the past 20 or 25 years. I think this was a necessary revolution but, in the

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*An address by Mr. Sproul before the Twenty-Eighth Annual Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 23, 1956.

Present Currency Problems In Foreign Trade

By FRANZ PICK*

Publisher of Pick's World Currency Report

Currency expert discusses problems of still-existing dollar shortages in international trade, especially in Latin America and the Near and Middle East. Points out that growing competition from Western European nations, Japan, and the Soviet orbit reduces U. S. exports even in countries of the dollar area. Maintains Soviet trade offensive, based on low-priced offers and purchase of surplus production which we cannot absorb, creates serious problems.

It is, as always, a pleasure to address experts of international trading who, year in and year out, carry foreign goods to our shores and ship products of American laboratories, factories, farms and mines all over the globe.

Franz Pick

You do not have an easy job. When you had a real sellers' market and your orders piled up in these early post-war years, there were not enough Dollars around to pay for your goods and services. You had worries no end in the Sterling Area, in Brazil, Argentina, Chile, Indonesia, Burma, Thailand and certainly also in Greece, Turkey, Yugoslavia, not to speak of the money that a few of you lost in addition to the credit risk . . . in devaluations. Britain, Holland, France, Argentina, Chile, Colombia, Pakistan and Nicaragua, to speak of only a few monetary battles in which you were defeated, are certainly still in the memories of most of you.

And then, a few of the countries that were able to spend a little for U. S. goods from 1947 to 1952, began to compete with our products in foreign markets. Germany—in shreds and bombed out in 1946—France, Belgium and Holland, not to mention war-torn Italy, slowly began to appear in South American, Near Eastern, South West Asiatic and Far Eastern markets to peddle their quality goods. Japan, nearly destroyed in 1947, came up the hard road of strong export power, which many of you may feel now in your daily activities.

*An address by Mr. Pick before the Export Managers Club of New York, New York City, Jan. 24, 1956.

And so, if seen from the viewpoint of the American exporter, we are again in a situation which is certainly not a bed of roses.

You face two problems in the export field:

(1) Where there are buyers that would love to cover you with orders, there are not enough licenses available to import U. S. goods with Dollar payment.

(2) Where you can sell a wide variety of goods, from automobile and calculators to woolen fabrics and X-ray apparatus, and where your buyers have licenses and Dollars to pay for it . . . the products of Britain, Germany, France, Holland and, above all, Japan—not to mention the Iron Curtain countries—are cheaper and can often be bought without Dollars.

And this sharp competition of cheaper-than-U. S.-goods is beginning to be felt in our own backyard, which is called the Dollar Area.

Quite a problem.

Now how, you will ask me, can we cope with these conditions? The answer is not easy, because if I tell you that you will have to take more risks, you certainly will not be anxious to do so. But unfortunately export business, in order to yield good profits, has to be based on risks. If you don't want to dare, you will have to accept smaller turnovers and smaller profits.

Let us, therefore, have a look at how the situation presented itself at the beginning of this year.

There was definitely more monetary freedom than a year ago. Sterling, which is more important in world trade than the Dollar, had a stable year with easing regulations and wider British trade.

The Belgian Franc, Dutch Guilder and West German Mark were commercially and financially nearly convertible. No black markets functioned in these three countries. Switzerland's hard Franc was stable and legally freer than the U. S. Dollar. Austria's Schilling seemed healthy and the Italian Lira had remarkably recovered. The French Franc, in spite of political internal and external trouble, was very intelligently managed by the Banque de France.

These currencies of the continent's industrially most efficient nations, enabled their economic managers to plan for long term expansion. As all of the aforementioned countries, including the United Kingdom, are members of the European Payments Union, they had no real worries concerning their European trade, but were free to concentrate on their export markets.

As we, at the same time, could not cut our subsidizing of these countries, they had — including England—no real Dollar worries. On the contrary, we even have to emphasize that Dollar-goods discrimination in foreign trade has to be cut down in Western Europe.

Our political position, at the same time, forced us and probably will continue to force us to send Dollars to these countries, in order to maintain our garrisons, air fields and other installations for our own strategic protection.

We have to maintain our power whether we like it or not, even if this policy is not exactly favorable to our foreign trade. Because, without our power there would be no foreign trade.

Therefore, it would not be wise to complain. You cannot make an omelet without breaking eggs.

Now how did our foreign trade picture look at the beginning of 1956? Last year's foreign trade showed the following breakdown:

Exports	
22%	went to Canada
20%	went to Latin America
20%	went to the continental countries of the E.P.U.
12%	went to the Sterling Area
13%	went to Asiatic and other countries
13%	were military and other aid
100%	

Imports	
24%	came from Canada
28%	came from Latin America
18%	came from the continental countries of the E.P.U.
16%	came from the Sterling Area
14%	came from Asia and other countries
100%	

As you can see from these figures, Canada is our most important customer. But Canadian trade, for many practical reasons, is not considered as foreign trade in the U. S. It presents no special problems for the year to come.

The Canadian Dollar, firm for more than five years, has suffered slightly from balance of payment indigestion and lost its premiums. It might weaken a little more, perhaps 1% or 1½%, but not much more. Therefore the American exporters' real problem in Canada is salesmanship and probably also a wise policy of better credit terms.

Next in importance in our Hemisphere is our Latin American trade, totaling about $6.4 billion, of which about $3 billion are exports and $3.4 billion imports. Let us analyze our export problems with these countries in alphabetical sequence, in order to avoid any complications.

Argentina which at present is in a rather miserable position. Peron's legacy is a nightmare, economically as well as monetarily. Under the dictatorship, all official statistics were falsified. Inflation, the means by which Peron kept his power, was hidden.

Only after Peron's ouster had it been stated that currency in circulation was only reported for every second Peso printed. The domestic debt was handled identically. The result was rather simple.

The new government had to publish factual figures, which revealed that Argentina was not insolvent, but really bankrupt. A devaluation took place in October, but here again the new rulers either did not have enough courage or too much political fear to adapt the Peso to the facts of life. The present multiple exchange rates cannot last forever. They will have to be cut again. Argentina's currency, at a historic low of value, has become somewhat freer because there is a sort of legal free market in Buenos Aires, but it is really shaky and living from day to day.

In spite of these rather negative facts, the long range picture of Argentina looks better, provided the present type of government can remain in power. Argentina was milked by the Peron crowd. The milking ended.

The country, very rich in natural resources, can be built up again. Consumer needs are practically unlimited. Dollars can be earned by the country's exports, if transport facilities—now broken down under dictatorial mismanagement—can be improved. There also are going to be U. S. credits, of which the country needs about $1.2 billion.

But the real far-sighted operation of enterprising concerns is the installation of branches or of industrial offsprings in Argentina. And in this race for the domestic Argentina markets, we are not alone. Western European countries and Japan seem to be able to offer more than we can. They offer long-term credits, up to 10 years and more, for heavy industrial and communication equipment or commit themselves not to withdraw profits for 10, 15 and even 20 years.

Quite a competitive situation.

In Brazil, a new political group will take over in a few days. The currency management has done an excellent job during 1955, a year in which the Cruzeiro rose 13% in free markets, reflecting the best increase of any currency in the world in 1955. The coffee year was good: hard currency income increased; banknote printing slowed down a little. The famous licensing system of imports continued to be the source of medium-sized scandals, but it functioned.

The big event in Brazil's trade position was the conclusion of the multilateral trade treaty with Great Britain, Holland and Germany, which Belgium joined later. This agreement opening a back door into the European Payments Union for Brazil, was the most important event in many years. It was not favorable to the American exporters.

At the same time, British, German, French and Japanese finance groups strengthened their industrial footholds in Brazil, moving in with machinery, credits and know-how. These countries adopted a policy of paying Brazil's export prices without hesitation, looking to the future and not at present profits.

The famous Krupp Works of Essen, Germany, made a deal with Rio's authorities to establish a wide range of industries and not to withdraw any profits for 20 years. Similar agreements do not provide for the increase of American exports to Brazil.

The country has made tremendous progress since 1948. And yet, not even half of its population of 58,000,000 people wears shoes or uses Kleenex. The population increases annually about 2%, mortality has declined. The subsoil, not yet charted geologically, is very rich.

Investment in Brazil, with all its risk, seems a highly interesting venture, which, if you consider that money in Brazil presently costs at least 24% per annum, might be more than rewarding for many years to come. Profits in Brazil are considerable, taxes are low. Therefore, in any long-range projection, Brazil might import less from the U. S. as the newly established industries in the country will get more and more protection against foreign goods.

Bolivia, a small country with full inflation, has accomplished some real progress during recent years. Import needs are colossal, but there are no Dollars around. Recently, there has been more interest for foreign investment in

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Federal Reserve Credit Expands Over $14 Billion

By DR. WALTER E. SPAHR*
Executive Vice-President
Economists' National Committee on Monetary Policy

Prominent monetary economist finds publicly known braking of Federal Reserve credit is more than offset by the hidden acceleration of illegally issued "float" reserve credit, amounting to over $14 billion, or two and one-half times the volume of discounts and advances as of Dec. 28.

For the week ending Dec. 28, 1955, the float of the Federal Reserve banks reached the highest level on record — $1,875,000,000. In the preceding week, ending Dec. 21, another record high of $1,746,000,000 had been reached. The highest level of the float ever reported for the period 1933-1952, was $1,543,000,000 on Dec. 17, 1952.


Dr. Walter E. Spahr

Not Authorized by the Federal Reserve Act

The float is not authorized by the Federal Reserve Act, and properly so since it involves the creation of reserves on the books of the Federal Reserve banks for member banks of the Federal Reserve clearing and collection system against uncollected checks and drafts.

The Federal Reserve Act specifies how member banks may obtain reserves at the Federal Reserve banks; and among the ways specified, one does not find provision for building reserves against uncollected checks and drafts.

Similarly, the Act specifies how Federal Reserve banks may extend credit to member banks; and nowhere in the law is it provided that the Reserve banks may extend credit against uncollected checks and drafts floating through the mails. If that were contemplated by the framers of the law, then there was no proper basis for setting up "deferred availability cash items" (deferred reserves) as is done to offset "uncollected cash items" in the balance sheet of the Reserve banks, and all "uncollected cash items" ($5,105,372,000 as of Dec. 28), not merely the excess of uncollected items over deferred availability items (the float), could properly be converted into reserves for the members of the Federal Reserve clearing and collection system.

Federal Reserve Boards of earlier years, whose members apparently had more respect for law and sound principle as to bank reserves than has been manifested by Federal Reserve authorities in recent years, recognized and respected the fact that uncollected checks and drafts had no legal place in our Federal Reserve System as a means of extending Federal Reserve credit and of creating reserves for member banks. For example, the Federal Reserve Board stated in its **Annual Report for 1916**, p. 170, that "It is manifest that items in process of collection cannot lawfully be counted as part of the minimum reserve to be carried by a member bank with its Federal Reserve Bank." That statement is as correct today under the provisions of the Federal Reserve Act as it was in 1916.

The intent and provisions of the Federal Reserve Act were and are that member banks' reserves are to be built by deposits of cash with their respective reserve banks; by deposits of items for clearing and collection which items were to be converted into reserves when collected; by the sale of certain types of assets to the Reserve banks; by borrowing from the respective Reserve banks through the mechanism of rediscounts and advances for which they were to be charged prevailing discount rates. It was never intended that the Reserve banks should or could extend credit and add to member bank reserves, as is done through the float, free of charge.

*Statement submitted by Dr. Spahr to the Senate and House Banking and Currency Committees, Jan. 6, 1956.

The Significance of the Float

The float of $1,875,000,000, on Dec. 28, provided the member banks of the Federal Reserve System and other clearing banks of the Federal Reserve clearing and collection system with reserves to that extent, free of cost. The reserves would support in bank deposits approximately 7.5 times that sum, or $14,062,500,000, on the basis of the average reserve requirements then prevailing.

The borrowings by member banks on Dec. 28, were $753,000,000. The amount added to member and other clearing member bank reserves by the improper means of the float was almost 2.5 times the amount added by the legal devices of discounts and advances on which discount rates are levied.

There has been much discussion in recent months of a tightening up on the uses of Federal Reserve bank credit by increases in Federal Reserve discount rates. Such discussion tends to mislead unless the volume of bank reserves arising from the float is considered and compared with the volume arising from rediscounts and advances. For example, on Dec. 28, member banks were paying rediscount rates, profitably, on $753,000,000 of borrowings while they were receiving, under the table as it were, approximately 2.5 times that amount in reserves free of charge — and without legal authorization.

The employment of the float by the Federal Reserve authorities impairs or nullifies the effectiveness of rediscount rates designed by Congress as instruments for restricting the use of Federal Reserve credit. It is as though the Reserve authorities were applying a brake which is out in the open for all interested people to see and to discuss, while the Reserve authorities have at their disposal and use a gadget, not widely comprehended and rarely discussed, which is in fact an accelerator. As of Dec. 28, this accelerator was pumping 2.5 times the amount of reserves into the banking system, free of any braking pressure, as compared to the volume of reserves touched by the slight pressures of rediscount rates.

May a Fundamental Law of Congress Be Violated by an Administrative Agency With Impunity?

A question of great importance to the people of the United States is whether an administrative agency may violate a fundamental law of Congress with impunity.

Even though the development of the float by the Federal Reserve authorities may involve technicalities which have thus far, apparently, escaped the attention of busy Congressmen, the fact nevertheless is that violations of the Federal Reserve Act call into question the degree of responsibility of the Banking and Currency Committees of the House and Senate.

Since an administrative agency with a technical staff at its elbow can sometimes devise ways to make illegal or unauthorized actions appear legal or authorized to busy Congressmen not highly specialized in the field involved, a question arises as to what defense the Reserve authorities would offer a Congressional committee for building the unauthorized float. A defense that has been reported to this author occasionally is that New York City has sometimes been "fogged in" and airplanes could not leave or arrive to collect checks and drafts according to schedule. Since the float is always present, and in an amount generally larger than discounts and advances of the Reserve banks, and since it has been mounting to new record levels, the logic of the reputed common defense of the Reserve authorities is that New York and presumably other airports are always in a fog and that the fog is growing denser and lasting longer.

The essence of the issue in respect to the unwarranted development of the float is that the Reserve authorities have been shortening the time schedules on deferred availability items, particularly since 1939, more than is justified by the average time required to collect the checks and drafts which, when collected, may properly be converted into bank reserves for the collecting banks. And what Congress needs to do is to require the Reserve authorities to lengthen those time schedules on deferred availability items so that uncollected items on the average during a week will not exceed deferred availability items on the average for that week.

All that a Congressional Committee need insist upon, to obtain an accurate picture of this improper use of uncollected checks and drafts as a basis for a part of member bank reserves, are factual answers to the following questions:

(1) What provisions of the Federal Reserve Act authorize the Federal Reserve banks to extend credit free of charge and to build bank reserves against uncollected checks and drafts?

(2) What provisions of the Act authorize member banks to obtain reserves against uncollected checks and drafts?

(3) What changes have been made by Congress in the Federal Reserve Act since 1916 which make the statement of the Federal Reserve Board in 1916 incorrect today?

(4) If the Reserve authorities can build member bank reserves against the excess of uncollected cash items over deferred availability cash items, why cannot, and why does not, the Board of Governors build member bank reserves against all uncollected cash items and eliminate the deferred availability item?

(5) Is it the contention of the Board of Governors that it may engage in practices not specifically prohibited by the Federal Reserve Act, or does the Board recognize that its powers are restricted by the authority granted in that law?

Investors Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert R. Detwiler, Herbert S. Freedman, Walter F. Kisil, Michael Giaquinto and Oscar G. Milner have joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Now With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Wade L. Grindle has become affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Reasons for Confidence In the Business Outlook

By LOREN M. WHITTINGTON*
Vice-President, Society for Savings, Cleveland, Ohio

Bank investment supervisor expects a very good year for business with a 4% increase in Gross National Product to $400 billion, a 7% increase in business spending, and a 4% increase in personal income. After describing fundamentals of prosperity maintenance, Mr. Whittington explains that a decline in business-consumer confidence or an unexpected shock can cause a decided change. A tenth successive new high construction year is seen with government spending at the same level as 1955. Anticipates little change in unit labor costs, profit outlook and new capital expenditures. Expresses no alarm at the ratio of self-generated capital to borrowed financing nor in the anticipated leveling off in consumer spending and instalment credit accompanied by an increased debt repayment rate and higher inventories. Counts upon augmented advertising, personal tax reductions, and monetary authorities to avoid deflation and runaway boom.

In appraising the outlook for business activity in 1956, we start from a position that in most lines is the highest peace-time level in our history. We are in a period of boom, but the general public does not really think in that term for the reason that economic changes have not been dramatic for a long time. For ten years now business has been good as measured by all of the indexes of general activity.

L. M. Whittington

Business has, of course, fluctuated, but changes have been moderate. There have been two recessions in that period, each lasting about a year and amounting to 10%. One was in 1949; the other was from the summer of 1953 to the summer of 1954. In 1950 there was a boomlet caused mostly by the Korean War. We have had a decade of good business that has been above the long-term economic growth trend nearly all of that time.

It is significant that this ten-year period followed our greatest war, which was preceded by our worst depression.

State Priming Failure

During the period from 1933 to the outbreak of World War II, the Federal Government tried many ways to bring about business recovery. In the main, the government attempted to force a business recovery with pump-priming activities that put additional cash in the hands of consumers. The cash was obtained by increasing the Federal debt. But the various schemes tried and threatened by the government provoked a pronounced lack of confidence on the part of businessmen, and a real recovery couldn't get started. During that whole period unemployment ranged between 7 million and 13 million.

War Stimulus

Then came the war. Great and rapid changes took place. In that period output doubled, capacity greatly increased the economy ran at forced draft, and nearly the whole increase was financed with Federal Government deficits. The national debt increased five-fold, or over $200 billion.

Among the American people, and especially among businessmen and research technicians, an aggressiveness and a virility came out of the war period that has not yet started to abate. Capitalism flowered as never before. Two situations particularly contributed to a favorable climate for business. There was purchasing power, in money in circulation and in bank deposits, in an abundance that was almost unbelievable. It came from the $200 billion increase in the Federal debt. And paired with this was a great demand for the things that consumers were unable to buy during the war, such as houses, autos and home appliances. Also, business corporations, in spite of very high taxes during the war, had accumulated from depreciation reserves and retained earnings large cash resources. The credit standing of nearly all business organizations improved during the war.

Transition Period

At the end of the war in 1945 industrial output declined over one-third in less than a year. But it was not alarming to business since it was expected as a transition from a war economy to a peacetime economy. That adjustment is the most recent decline exceeding 10% we have had.

For a time there was confusion in some industries as wartime controls were lifted. Strikes were widespread, and prices rose sharply in some lines. However, at this time a business recovery got started that was carried forward by businessmen instead of one pushed along by government. It was based on confidence and faith in the future, and to a businessman that means confidence in the prospects for profits.

Business enterprise was venturesome, and it was the heavy industries, building and construction, durable consumers' goods, and a wide variety of capital goods, which took up the slack created by the reaction from the war boom and laid the foundation for the high level of business and industrial activity which has prevailed with but minor setbacks until the present time.

Prosperity Foundations

There are three basic fundamentals of this prosperity that must continue, and continue in good balance, if it is to be long-lasting and not generate the seeds of its own destruction.

These are:

(1) There must be a fairly continuous and adequate flow of capital into productive enterprise. This is the prime moving force in any period of prosperity.

(2) The flow of capital into new plant and equipment and other facilities must be large enough to maintain approximately full employment. Also, over a period of time the flow of new capital into new facilities must be large enough to increase the output per man-hour sufficiently to more than offset any wage increases that may be granted. This means the investment per worker gradually increases, and it permits a rising trend in the standard of living.

(3) As a result of the first two, the third fundamental follows. All the purchasing power needed to buy the goods and services produced is created automatically by the process of producing and distributing them. However, nothing forces the recipients of this purchasing power to spend it immediately on new goods or services.

The balance of the economy can be disturbed if a disproportionate amount is not spent or is used to pay debts, particularly the latter.

These fundamentals must operate in a framework that has a fairly steady pattern of prices, and an interest rate structure that is high enough to encourage new capital creation or savings on the one hand, and low enough to promote new risk-taking investment on the other.

From the standpoint of avoiding a recession or even a depression, the key to the continuation of this prosperity is: Can the present high rate of capital expenditures be kept up? Basic in this consideration is the fact that capital consists of savings; savings of business and of individuals. Capital is not created by bank loans. In fact, the borrower increases his capital as he pays down his loan.

Sound Credit Ratio

However, a virile capitalistic economy uses credit, and that is sound procedure if it is kept within certain limits. Large businesses borrow money for long-term projects by selling new bond and stock issues. These provide employment for the savings of individuals, which are largely in banks and insurance companies and similar institutions.

Business expenditures on new plant and equipment, capital expenditures, are running currently about $30 billion a year. They have been well above $25 billion in each of the last five years. Of the $30 billion, $20 billion is generated within business itself from retained earnings and from depreciation. About $10 billion is borrowed. That is a very sound ratio if business as a whole puts up two dollars of its own money for each dollar it borrows. Of course, the proportion borrowed differs greatly among the various industries and among concerns in the same industry. But on the whole, business credit is being used judiciously. Business debt has increased sharply in the last ten years, but it started from a very low base. Our economic expansion has well warranted this growth of credit. If the present pattern of the sources of capital expenditures holds, the growth of business debts will not outrun increases in productivity and income. In fact, many producers with present volume of sales and earnings are able to finance themselves, not only for increased inventories but for moderate expansion in plant and equipment.

Profit Outlook

If any one segment of our economy is the key propellant of business, it is business profits. Business profits made a record high in 1955 by a fair margin, and the outlook for profits in 1956 is that they should be about as good as in 1955. Total volume of sales will be larger in 1956, but competition is growing somewhat more keen, and I expect profit margins to be slightly smaller. However, with promising new products and improvements of old products coming out of the research laboratories in record volume, businessmen, particularly manufacturers, will not hesitate in 1956 to go ahead with new capital expenditures on a scale at least as large as 1955. And they will have the funds to put these plans into effect. The current tone of business confidence is reflected in the almost daily announcement that some large corporation has plans to spend many millions of dollars in expansion over the next few years.

Technological Advances

There is one other side to capital expenditures that is not decisive, but it is interesting. Technological improvements have come along so swiftly since the end of World War II that many concerns must spend substantial sums of money just to hold their positions. For example, an older department store must put in air conditioning just to keep its customers from going elsewhere to shop in the summertime. The development of certain greatly improved production equipment has caused some comparable situations in manufacturing. To the extent that expenditures of this kind are required, it means that profits have been overstated in recent years, because depreciation reserves are not adequate to finance the new expenditures.

Unit Labor Costs

In manufacturing, over-all unit labor costs will be very little changed from 1955. There will be some wage increases and a further slight increase in productivity per man-hour, but discrepancies between companies in the same industry are becoming more pronounced. The large, efficient, well-financed companies are more than holding their own. Some of their competitors, particularly marginal producers, may feel more of a squeeze in profits. This problem of a profit squeeze in smaller companies will become

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*An address by Mr. Whittington at the "Annual Forecast Meeting" of the Cleveland Chamber of Commerce, Cleveland, O.

What Industry Expects From Organized Labor

By CHARLES R. SLIGH, JR.*

Chairman of the Board, National Association of Manufacturers
President, Sligh Furniture Companies, Grand Rapids, Mich.

Mr. Sligh lays down the principle that organized labor and industry will be able to work in greater harmony if labor leaders are guided more by economic reality and will abandon efforts to achieve by political means what cannot be justified at the bargaining table. Cites illegal use of union funds to promote candidates, and offers a five point "Code of Conduct" for both organized labor and industry. Says entire economy of the country is threatened with monopoly control through the merger of AFL and the CIO.

An old and wise diplomat once advised his young colleagues not to spend their time in negotiations trying to read the mind of the other fellow, but to make absolutely certain the other fellow knew precisely what was in theirs.

Charles R. Sligh, Jr.

I think both Mr. Meany (President of AFL-CIO) and I have come here this noon with somewhat the same idea. And it's a good thing. When nations really understand each other, there is some chance they may live in peace. When labor and management understand each other, the prospect is increased that they will work together to build the progress, the security and the abundance for everyone which a nation of free people can create for themselves.

First, let me point out that there is no natural antipathy between the interests of labor and management in this country. This is evidenced by the great number of peaceful and mutually beneficial relationships between employers and employees which continue year after year. Industry and organized labor—at least that school of labor thought of which Mr. Meany is the foremost exponent—agree on many things. They agree especially that America is the greatest country in the world and that the American system of free enterprise is the most beneficial for labor and industry alike.

All the more reason then why we should clear up the areas in which we are in disagreement. If I am completely frank, I hope our guests will realize my frankness is meant to be constructive and not destructive.

What industry expects from organized labor breaks down naturally in my mind into three areas:

The area of individual liberty;

The area of economic responsibility; and

The area of bargaining integrity.

I'm going to state plainly what industry believes organized labor's attitude and code of conduct should be in these three areas. I'm glad Mr. Meany has expressed his views to us with equal clarity and I can assure him we will ponder these views carefully.

In the area of individual liberty, we hold that every American has the inalienable right to join a labor union and have a voice in its activities, and that this right should not be denied either by employers or unions. We hold that the individual has an equally inalienable right not to join if he doesn't want to join.

What Industry Expects of Organized Labor

Industry expects organized labor to acknowledge and respect this right. It expects the leaders of organized labor—out of their own pride in and respect for American tradition — to refrain from efforts to coerce people into unions against their will. It expects them to cease their unremitting efforts to remove or circumvent the legal protections of this right which are contained in Federal and state laws.

Industry expects that this right will not be violated by subterfuge—as happened in the case of Pleasant Farms Dairy of New Jersey, a small concern employing only 93 people. The AFL Teamsters union wanted these people to throw out their local independent union and join up, but only three of the employees were in favor of doing so. By picket lines around the plants of the important customers of this dairy, and by threatening to picket the companies which supplied it with milk cartons, the officials of the teamsters sought to force the little dairy and its employees into the union fold.

This is but a small instance of how union power is used to deny the legal and human right of free choice among working people. It could be multiplied hundreds of times, because many unions seem to operate on the theory that the end justifies the means.

Industry also expects the leaders of organized labor to refrain from coercion and violence. There are instances without number, but I can cite the recent notorious strike against the Perfect Circle Corporation, of New Castle, Ind. to compel the company to sign a union shop agreement.

This plant of the company employs only about 250 people. Yet a union recruited a mob of five thousand from all over the state —and many from out of state—to march on one hundred employees in the plant who refused to join the walkout.

In the ensuing violence, people inside and outside the plant were wounded by gunfire. Some of those inside were women.

I can cite the case of the recent strike against Southern Bell Telephone Company, in which people who did not choose to join the walkout had their homes and cars pelted with bricks and eggs, had their tires slashed, and received 'phone calls threatening bodily harm to themselves and destruction to their houses and their property. Hatchets and knives were used to sever telephone cables, guy wires were cut from utility poles, and representatives of the company were shot at and otherwise threatened.

Every responsible labor leader should resolve to put an end to such lawless incidents, which deny every tenet of our proud civilization and bring disgrace and shame to every sincere American.

The doctrine that the end justifies the means has no place in American life, and it is particularly abhorrent when the means used violate liberty and the right of every law-abiding citizen to be secure in his home and in his person.

Should Be More Democracy in Unions

It is not my place to lecture union leaders on the conduct of their union affairs, but industry believes there ought to be a lot more of the democracy of which these leaders boast in the operation and internal administration of unions.

We think the union member should have a real voice in all measures affecting his welfare—a voice that is listened to—and that this ought to apply particularly to the calling of a strike. We do not believe a union member should be required to submerge his personal interests unduly or altogether in the interests of the group. We think every man in this country is entitled to advance as far and as fast as his abilities will take him, and that he should not be held down by group interests, as expressed, for example, in overly-rigid seniority rules.

Too often in the constitutions of unions, democracy is all shadow and no substance. The top officers of some internationals control elections and conventions. In some situations they can remove local officials who disagree with them and then appoint their own men as trustees. On the other hand, there often is no effective method by which arrogant or selfish officials may be removed by the rank-and-file. In too many cases the right of dissent is denied and insurgency is dealt with in summary fashion.

Dire things continually are happening in some union circles to those who try to exercise their democratic rights. Time and again attempts to voice a protest or a counter opinion at union meetings have led to the dissenter being thrown bodily out of the hall. Such people are marked as trouble makers and, if they persist, are often thrown out of the union as well and barred from their means of livelihood.

There is something vastly wrong, either with the organization or with those in power within it at the time, when such disciplinary measures are considered necessary.

In the area of economic responsibility, industry expects that organized labor will recognize that in a free economic society industry and trade must compete to

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*An address by Mr. Sligh at the 60th Congress of American Industry sponsored by the National Association of Manufacturers, New York City.

THE MARKET . . . AND YOU

By WALLACE STREETE

The first bright spot of a year that has been dour so far showed up this week when stocks put on a rather spirited rally for the first time in the downdrift that has been underway for nearly four weeks. Steels, which have found business good despite auto cutbacks, and the long neglected oils were prominent in ability to rebound and a few rails were also able to step into the limelight occasionally. Aircrafts were also among the better acting groups, since deliveries to change domestic transport from piston-engine to jet-driven will continue not only through next year but the following one as well.

Earnings of the steel companies, due to start arriving with Bethlehem's meeting today, are generally expected to be all and more that has been expected. Bethlehem's 1955 report is expected to show between $16.50 and $18 against $13 the year before, Big Steel up over $6 against last year's figure of a bit more than $3 with expectations of more than doubled profits in Allegheny Ludlum, Crucible and Sharon. This is hardly grist for a bear market in steel issues. And industry expectations of peak operations now stretch out as far as September in specific cases.

The automotive picture is a definitely murky one at the moment, with the stock market fully reflecting the indecision. General Motors has been able to resist selling most successfully similarly Chrysler, while selling down hard at times, has also been able to bounce back better when the going was good.

Ford Price Stabilized

Ford Motor, rounding out its first week of public ownership, showed good stability with plenty of evidence of the lay public moving in for bargain hunting, once the shares had worked down from the high initial premium to the price posted on the issue by the underwriters. The price reached $70.75 as the underwriting began at a $64.50 tag. But after touching the base price briefly, the over-the-counter stock stabilized at around $65 or a shade higher. The underwriters have indicated that they had not had to move in with any stabilizing operations.

Whether the wayward market has decided to change its ways is far from clear, although the list did find at least momentary support at the 458-60 level, where it had been expected rather widely to make a stand. The fact that the list broke out of its November-January trading range on the downside was a sour note that will need either time, or definite action to the contrary, to rebuild confidence. The markets are still highly selective and a somewhat rare instance was recorded with the list rallying when more issues did nothing than decline which is a definitely new note.

The constant hunt for issues behind the market that could be expected to do better eventually, even in uncertain markets, was a leading preoccupation. Efforts to better the lot of the farmers quite obviously brought to the spotlight some of the depressed issues in this circle, including International Harvester which, while popularly linked almost entirely to farm prosperity, nevertheless has diversified broadly in recent years. Its truck division, in fact, already accounts for more than the farm equipment lines. The stock sold higher at its peak in 1951, 1952 and 1954 than its price tag has been recently.

Something of a kindred company, also backward of late, is Spencer Chemical which has been more identified popularly with agricultural chemicals than with diversification. However, the company has moved importantly into the petrochemical scene with its low labor factor on top of the generally low factor that prevails in chemical processes. Expansion has also eaten heavily into available cash recently, accounting to some measure for its slow market behavior, with indications that the turn for the better is at hand or close by.

A Newly Diversified Auto Issue

Borg Warner, linked with the fate of auto issues solely in the past, was able to show some superior action in moments of market heaviness, which is a case where its diversification has started to pay off. Even with the high 1955 auto tempo, auto sales were comfortably under the 50% mark for the company. At recent levels the stock has been just about where it was when it was split 3-for-1 a full year ago, which is no reflection of the improvement in earnings, a higher dividend and prospects for future betterment.

A Businessman's Speculation

Phillips Petroleum, around which the natural gas control fight centers, has been a pet trading item for those who believe that they can correctly predict Congressional action to take the price shackles off the industry. It naturally has made the stock swing with the market on wider moves generally, but has served somewhat to obscure the basically dominant position the company has in all branches of the oil industry and its ability to turn in good profits even under Federal price controls. It quite obviously is expected to be the issue that will benefit most if the Harris Bill to take over price controls becomes law. It is what some services like to call a "businessman's speculation."

Westinghouse continues to rate high as a candidate for price appreciation once its costly labor troubles end. The company has the same attractiveness to many that Chrysler did at the depths of its troubles more than a year ago, when the issue sold in the 50s before it brought out a new line and turned in a year that enabled the stock to climb over par. The stock has since retreated more than 20 points below its peak and still has a vociferous following that maintains the company will be able to better its results this year with a hard-selling drive even in the face of a cutback in auto business generally. In addition to the slow sales that have brought layoffs by Chrysler, it has also had to contend with a shortage of parts because of labor difficulties among its suppliers.

Electronics Issue Picks Up a Following

Emerson Electric has also been widening its followers, largely because of a shift in top management in 1954 with a subsequent new stress on cost reductions and a widened line of products. The company had highly cyclical results during much of its life because of its heavy reliance on limited commercial markets. The line now ranges from power tools, all sold under the Sears "Craftsman" name, to major electronics work as well as military rockets plus an imposing position in the fan business. This in addition to its major occupation—electric motors.

The oddity of the week beyond question was American Hawaiian Steamship whose head proclaimed flatly that the market price of the stock had reached a level not warranted by internal developments. It is one of the few times in market history that corporate officials have taken so flat a stand when their stock had been acting spectacularly. The stock, up from the 60s only a few months back to nearly $132, promptly fell back below par by a good margin, to give traders a new facet to ponder.

[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.]

Connecticut Brevities

Pratt & Whitney Co., Inc., a subsidiary of Penn-Texas Corporation, has purchased the assets and business of Sterling Die Company, Cleveland, Ohio, manufacturers of self-pointing sheet metal screw dies and other types of dies. The addition of the new business, which will be operated as the Sterling Die Division, rounds out Pratt & Whitney's line of thread rolling dies. The business of Sterling will continue in Cleveland under the present management and plans are underway to increase its capacity.

* * *

Stockholders of **Stanley Works Company** at a special meeting on January 10 approved the recommendation of Directors to increase the authorized common stock from 853,902 to 1,250,000 shares. Following the stockholders' meeting, the Directors voted to pay a stock dividend on February 2 of one new share for each three shares held of record Jan. 17. A quarterly dividend of 60 cents a share was also voted payable March 29 to holders of record March 15. This dividend is a continuation of the same rate dividend paid prior to the stock dividend. Stanley recently purchased Denison Corporation of Florida, now Stanley Building Specialties Company, at a cost of over $1\frac{1}{3}$ million. The new subsidiary produces aluminum windows, doors and jalousies.

* * *

Kaman Aircraft Corporation has been awarded a contract by the office of Naval Research to conduct research on an annular-wing or ring-wing type of aircraft. This new type of aircraft can be described as a "flying barrel" consisting of a circular or barrel shaped wing which is open at each end and which contains a smaller body supported within. The ring-wing aircraft can be powered by conventional piston engines, gas turbine driving propellors or by jet engines. It combines certain advantages of helicopters and of airplanes in that it can take off and land vertically as well as fly forward at speeds comparable to those of more standard types of airplanes.

* * *

The **Hamilton Standard Division** of United Aircraft Corporation has announced expansion plans at both of its major plants. The Windsor Locks plant, completed in 1952 and containing about a million feet of floor space, will be enlarged by more than 25%, including addition of another floor to the office building and 210,000 square feet of new manufacturing space. The Broad Brook plant, previously used in part for experimental machining and for records and files, has been partially converted to manufacturing operations. The Division produces jet engine starters, fuel controls, air conditioning and pressurization systems, hydraulic pumps and pneumatic valves for turbine powered aircraft as well as many types of propellors for use with piston and turbo-prop engines.

* * *

Platt Bros. & Company of Waterbury are in the process of rebuilding their plant, damaged in the two major floods of 1955, at an estimated cost of $250,000. The Company produces rolled brass items.

* * *

The **Farrel Birmingham Company**, whose main plant is located in Ansonia, has bought the patents and drawings for a line of presses from the Press Division of A. H. K. Porter Company, New Jersey, Manufacturing operations will be carried on at Farrel's present plants in Connecticut and in New York.

* * *

The **United Illuminating Company** has begun construction of a new generating station in Bridgeport at an estimated cost of about $10 million. The new station is part of the bulk power system under an agreement between United, **Connecticut Power Company, Connecticut Light & Power Company** and **Hartford Electric Light Company.** Through this agreement the four companies are coordinating their present systems and future installations to meet load requirements on a one-system basis. The new Bridgeport installation is scheduled for operation in the fall of 1957. United is also studying Charles Island, located off Milford, as a possible site for a future nuclear reactor power plant.

Business and Bond Price Prospects

By ROBERT VAN CLEAVE*

Assistant Vice-President, C. F. Childs and Company

Slowed upward trend requiring less money to finance is seen by Mr. Van Cleave as encouraging prospect for stable or possibly improved bond prices. Terms present bond price gyrations unjustified, and says credit policy of Federal Reserve is designed to affect level of economic conditions rather than level of interest rates. Holds reversal of farm price trend "might make inflation visible."

I would like to have been able to bring you some neat, well-rounded, and confidently-held forecasts on the outlook. Unfortunately, I have been unable to arrive at any conclusions or forecasts in which very much confidence can be felt. It is one of those iffy, on-this-hand-on-the-other-hand periods of time. There are too many points on which we just don't know what's going to happen. And in my opinion it is always better to recognize frankly what we don't know, than to pretend that we have perfect knowledge, and then proceed to act on this bit of self-deception. That can be dangerous.

But before you invite me to put my notes back in my pocket and sit down, let me take a look at the situation. There are some things which can be seen fairly clearly, even if others are not so clear. And even if therefore we can't quite see what the total adds up to, we may at least reach some tentative conclusions.

Federal Reserve Policy

For one thing, we don't need to fear whimsical or capricious intervention by the Federal Reserve System in the bond market. I'm sure I don't need to re-argue with you the inter-relationship of all markets for money and of all interest rates—from call money and Federal funds out to mortgage rates and rates on consumer loans. Some are more volatile than others; some, like the instalment loan rates, are extremely sticky. But a tightness or loosening in one sooner or later is reflected in all others. They are not air-tight sealed compartments. I think we may take that as granted.

It is of course the tremendous power of the Federal Reserve System to affect all interest rates which makes System operations interesting to you, even though perhaps you are not directly interested in Federal funds, and buy hardly anything but mortgages. One of the significant bits of progress made during the past several years has been the increased understanding that the System now intervenes in the money markets with one motive only—to do what it can to promote and assure stable and sustainable growth. It is interested in economic and business conditions, and not in levels of interest rates. As the IBA government securities committee reported in December, experience now should have demonstrated to all that there are no ceilings on interest rates. Those who thought that the 2.4% bill rate of June, 1953, established an upper limit now have learned otherwise. I think that also can be taken as true, whether or not the year is divisible by four

Business Outlook: The Weak Side

So the thing to do is to try to guess what business in total is going to do, and this is where the situation becomes so very iffy.

On the one hand:

Demand for goods financed by net increases in personal debt on instalment loans and mortgages this year will not be as great as last year, and may be considerably less. Individual mortgage debt went up about $13 billion and instalment debt somewhat more than $5 billion last year. This may reduce total demand for finished products.

Farm prices and income are a weak spot frequently pointed out, though it may be noted that they have been a weak spot ever since the Korean War, and a political football since the last century, but have not prevented the total economy from reaching all-time highs.

A substantial stock market decline—on the order of 20% or 25%, say, could be a shock to confidence, which would cut down spending by individuals and business.

A Treasury cash operating surplus in this calendar year, of perhaps $2 billion or $3 billion, may exert some deflationary effect. But note that all of this will occur in the first half, while present momentum still is high. There will be a deficit in the second half, as usual. Note, a deflationary effect need not necessarily follow.

The cutback in auto and house production, already in effect, undeniably has a depressing tendency, though I think it is possible to exaggerate it. It may produce some rise in total unemployment, some drop in incomes of those affected, and perhaps may influence those workers to hold down their spending.

If consumers stop buying, business and producers may cutback their buying also, and trim down their projected plans for expansion and modernization of plants, lay off more workers, and, in short, commence another of those once-familiar downward spirals. Does anyone think a downward spiral is imminently foreseeable? I don't.

The Strong Side

On the other hand, there are certainly offsets to the deflationary factors. Despite the forecast drop in house-building, total expenditures for construction are expected by the Commerce Department to be 5% higher than last year—$44 billion against $42 billion. This represents a demand for workers and for material. Even expenditures on houses by individuals are forecast to be no lower, because of increased modernization and repair and because houses are larger and more expensive.

Expenditures by government at all levels will be higher, and this is another of those points on which we can feel some assurance. State and local governments last year spent about $30 billion, and this may be $2 or $3 billion higher this year. Federal Government spent around $45 billion, probably, and this item too is going up. Defense costs are edging up because those needs call for heavy goods and materials in the very area where supplies are short and prices rising. Non-defense likewise can be seen on an up-trend. The farm program—hardly likely to meet much opposition—will be costly. So also will a road program, almost certain to be adopted this year, and aid to roads, health, education, reclamation, soil banks, farm prices, other things.

Capital investment by business—expenditures on plant and equipment—are projected at levels some 12% or 13% higher than last year. Now we all know that plans are subject to change, and some businessmen certainly can cut down or delay their plans if the outlook begins to look dark. But we all know, too, that much of the planning of business now being done is long-range planning. It is made in the full knowledge that between now and 1965 there may be small and temporary setbacks, and the prospect of these setbacks has not deterred them. For one excellent example, the airlines which have placed firm orders for new aircraft at costs running well over a billion will not cancel them this year, because they have no expectation of putting the new ships into service before 1958 or 1959. Similarly with those building atomic and electronic plants, and those who are producing the wonderful machines which will give us the thing called automation. Telephone and electric utilities go on expanding. All these require men and materials. In short, there must be some very large part of projected capital investment which cannot be thought of as subject to cutting back.

Wage rates—which means cost of production—are going up. The 25 cent boost in the statutory minimum wage taking effect March 1 is estimated to benefit some 2,000,000 workers to the extent of an average 13 cents per hour. Those above the minimum will expect to be upgraded, too. Wage contracts now in effect will provide automatic increases ranging from 6 to 11 cents an hour for around 2,750,000 workers. New contracts to be negotiated this year will affect practically all lines, and one Washington observer thinks settlements finally will come out 5% to 7% higher than the old scales when new fringes are included.

And when thinking of personal income, we must not leave out a reduction in personal taxes which certainly is a possibility this year. Some few Senators, it is true, have announced their opposition to such a thing. This itself is a sufficiently startling phenomenon in an election year to be noteworthy. If you think about it, you must conjecture that the economists advising those Senators probably have a pretty inflationary outlook.

Nor does it follow that the increment to purchasing power is merely equal to the increase in income. Practical observation leads us to think, rather, that additional income very often is treated as a margin, or base, for additional borrowing.

There is still another point on the inflationary side to be mentioned. Much has been made of the "sound dollar" provided by Administration policies. By that is meant that price indexes have been relatively stable, so that the purchasing power of the dollar has changed but little in recent years.

But the stability of the indexes has resulted from rising prices for metals, metal products, machinery and allied products, building materials, and a host of other things, offset only declining prices for farm products. And even at that, wholesale prices have been inching up for about a year, and consumer prices since last summer.

We ought to give some thought to what may happen if the Administration, supported overwhelmingly by both sides in Congress, actually is successful in checking or reversing the decline in farm prices. The statistical stability of the total index then might be ended, and be followed by an upsurge. The price index, in a word, might make inflation visible.

This does not necessarily have to happen, of course. It is another of those iffy items. Demand for metals and other items in the index conceivably might fall enough to stop their prices from rising, and thus maintain stability. But that will depend upon other developments yet to be seen.

One of the strongest points in the business outlook as I see it is personal consumption expenditures. Such spending accounts for two-thirds or more of total Gross National Product pretty regularly, and I feel a confidence amounting to conviction that this figure is going to continue rising. I think that very often the vast political and sociological as well as economic changes which have taken place during the last two decades are given insufficient weight. All these things together have resulted in a huge increase in the middle classes, measured by income. They have created a huge and growing desire for more and better material things; a feeling that we are all entitled to and must have a steadily rising scale of living. There is a feeling too, because of social security, pension and retirement plans, contractual savings, and the like, that one is free to and justified in spending a great deal more out of current take-home pay and in borrowing more heavily. In short, I just cannot bring myself to believe that people voluntarily are going to stop spending and go in for austerity.

The Balance

Now, where does the balance lie? My own feeling—and it can hardly be more than that—is that it lies on the side of a further upward trend for the economy as a whole. That movement cannot possibly be as rapid or go as far as it did in 1955, if we assume that the dollar is to keep a reasonable stability in purchasing power. A considerably smaller rate of growth—say, just for example, 4% instead of 7%—would be likely to keep us still bumping against ceiling capacity in many basic lines. A 4% rise in GNP would give us about $405 billion for the year as a whole, against about $388 billion for 1955, and $360 for 1954.

But this is still iffy. The factor of psychology—of popular sentiment—cannot be left out entirely.

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*Substance of an address by Mr. Van Cleave to Group II of the Savings Banks' Association of Connecticut, Hartford, Conn., Jan. 24, 1956.

Revised Proxy Rules of the SEC

By ANDREW DOWNEY ORRICK*

Commissioner, Securities and Exchange Commission

SEC Commissioner defines and explains the term "proxy" and the recent revised proxy rules. In spite of administrative difficulty to check proxy statements in advance to protect the public, SEC head affirms intent to execute standards of fair disclosure in accordance with Congressional concern to correct proxy abuses by both sides in management contests.

In discussing the revised proxy rules[1] of the Securities and Exchange Commission and the role of the Commission in proxy contests, two fundamental concepts should be kept in mind. First, the Commission, as an independent regulatory agency of the United States Government, acts in the capacity of an objective, impartial umpire in examining the proxy material of participants. The Commission must be, and always is, scrupulously neutral; it neither takes sides nor plays favorites in proxy contests. Second, the rules of the Commission governing proxy solicitations have been developed within the framework of the comprehensive statutory pattern of the Federal securities acts. The principal objective of these statutes is to preserve, with respect to new issues of securities sold to the public in interstate commerce and issues of securities listed and traded on national securities exchanges, free, open and honest securities markets by requiring full disclosure of all material facts and by preventing the dissemination of false and misleading statements concerning companies and their securities.

A. D. Orrick, Jr.

The statutory authority of the Commission to regulate the solicitation of proxies rests on Section 14 of the Securities Exchange Act of 1934.[2] Subsection (a) provides that it shall be unlawful for any person to solicit or permit the use of his name to solicit any proxy, consent or authorization in respect of any security registered on any national securities exchange in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. This broad grant of administrative power is limited only by the standards encompassed in the words "public interest" and "protection of investors." These standards have been judicially recognized as reasonable, adequate and sufficiently definite guides for administrative action.[3]

At the time of the enactment of the Exchange Act, the proxy had become a device for continuing management in corporate office and for ratifying its policies. The control of corporations by insiders had been perpetuated through the solicitation of proxies by management, which simply requested that stockholders execute and return proxies without disclosing the purposes for which the proxies were to be used.[4]

The legislative history of the Exchange Act indicates, however, that the Congress was concerned with the abuse of proxies by seekers of corporate power as well as by entrenched management. The Congressional reports state that "the rules and regulations promulgated by the Commission will protect investors from promiscuous solicitation of their proxies, on the one hand, by irresponsible outsiders seeking to wrest control of a corporation away from honest and conscientious corporate officials; and, on the other hand, by unscrupulous corporate officials seeking to retain control of the management by concealing or distorting facts."[5]

Present Rules Outmoded

The proxy rules that are now in effect were designed primarily for the conventional solicitation of proxies by management where solicitations in opposition to management did not occur. In recent years, many bitterly-fought proxy contests between management and opposing groups for control of large and important corporations have strained the administration of these rules. In 1954 there were 21 contested elections, and in 1955 there were 17. As novel situations, which were not specifically covered by the proxy rules, developed during these contests, it became necessary for the Commission to improvise and interpolate administratively, so that reasonable adherence to the standards of fair conduct and accurate disclosure contemplated by the statute could be achieved.

For the past two years the Commission has been intensely studying the operation of its proxy rules in contested proxy solicitations. A comprehensive revision of the rules, clarifying their applicability to proxy contests, has recently been completed. In order that the legal theory underlying the rules may be understood, the legal relationships between security holders, corporate directors and proxies will be briefly described before discussing the salient provisions of the revised proxy rules.

Proxy Voting Essential

The right of corporate vote usually attaches to, and is an incident of, the ownership of a share of stock. It is a property right of the security holders.[6] At common law stockholders were not permitted to authorize another person to vote their shares, but the trend toward professional management of corporations and public ownership of corporate securities has made voting by proxy essential for the conduct of business at meetings of shareholders. The statutory law of the various states has conferred upon stockholders the right to vote by proxy in accordance with the provisions of the corporate charter and by-laws.[7]

The term "proxy" has a two-fold meaning. It refers to the authorization given by the owner of a share of stock to another person to represent the security owner in a stockholders' meeting and to vote the shares pursuant to instructions. The term is also used to refer to the person who holds the written authorization. The legal relationship between a proxy and a security holder is that of an agent to his principal. Its formation, however, is inverted, since it is the agent who initiates the authorization through solicitation of stockholders for appointment as trustee of the voting rights of stockholders. The fiduciary relationship is created when the person seeking the support of stockholders offers himself as an agent to manage their property rights.[8] The legal concepts applicable to fiduciaries are also generally considered to govern the conduct of directors in the management of corporate affairs.[9]

The proxy rules affirmatively direct that certain basic information concerning the action to be taken at a corporate meeting must be furnished to stockholders in the form of a proxy statement. Solicitation of proxies is prohibited unless the proxy statement and all other written proxy soliciting material, except press handouts, speeches and scripts, have been filed with the Commission in advance of distribution. The documents are processed to determine whether they appear to comply with the disclosure standards of the rules. The Commission does not purport to pass upon the merits, or underwrite the accuracy or adequacy of, or give approval to, the statements made. The responsibility for the truth, accuracy and fairness of every piece of proxy material filed with the Commission rests with persons soliciting the proxies.

Commission's Powers

If the Commission concludes that any soliciting material is objectionable in some particulars, it indicates to the proxy solicitor that revisions, additions or deletions should be made. The Commission is empowered to institute proceedings in the Federal District Courts seeking to enjoin the solicitation, or compel the resolicitation, of proxies, or restrain the voting of proxies, where it has reason to believe that misleading statements are being used to obtain the support of security holders. No statutory authority exists for the Commission, by its own administrative action, to compel the correction of false or misleading proxy material or to prevent solicitations in disregard of its rules. However, the possibility that the Commission may enlist the assistance of the Federal courts to prevent the use of material that the Commission believes to be incomplete, misleading or incorrect is a powerful deterrent to any wilful violations of the rules. In the absence of a heated contest for corporate control, persons filing proxy material with the Commission have usually cooperated in making appropriate revisions in accordance with its suggestions prior to commencing any solicitations.

The proxy statement provides the security holders with a broad base of financial information about the company, as well as specific information about the persons seeking to be elected directors, such as their business experience, remuneration, contractual relations, with the company, options, bonuses, and other emoluments of office. In contests for the election of directors, the proxy statement is also required to include a description of the methods of solicitation and the material features of solicitation contracts, the anticipated cost of solicitation, and whether reimbursement for soliciting expenses will be sought from the issuer. It must also summarize the background of each participant and his interests, by securities holdings or contract, in the issuer. The proxy statement must be furnished to security holders before or concurrently with the delivery of the proxy. The rules provide that the form of proxy shall afford the person solicited with the opportunity to specify by ballot a choice between approval or disapproval of each matter or group of related matters to be acted upon.

The vast majority of proxy filings each year involve solicitations by management for various types of corporate action where no counter-solicitation occurs. Proxy contests have involved only a small fraction of the total market value of all stocks listed on national securities exchanges—¼ of 1% in 1954, and ⅜ of 1% in 1955. Where, however, opposing factions hurl charges and counter-charges in an effort to obtain stockholders' support, regulation by an impartial government agency, which scrutinizes proxy material for accuracy and fairness, becomes increasingly important to protect the property rights of security holders. The revised proxy rules define more precisely than do the present rules the procedures to be followed and the types of disclosure required in contests for the election or removal of corporate directors.

The Informational Statement

In proxy contests no solicitation of proxies may be commended unless an informational statement concerning each participant is first filed with the Commission and each national securities exchange with which any security of the company is listed. The term "participant" includes, in addition to the issuer and its directors, and nominees for directors, persons and groups primarily engaged in, and responsible for, the conduct of the proxy solicitation. Those taking the initiative to organize a stockholders' committee or contributing more than $500 to the committee, or lending money or furnishing credit for the purpose of financing or otherwise influencing the contest, are included in the definition of participant.

Each participant is required to disclose in this document his occupational background and personal history, the amount of securities of the company that he owns, the transactions in which the securities were acquired, the circumstances under which he became a participant, and any arrangement or understanding respecting future employment or other transactions with the company. A summary of this information concerning participants must be included in the respective proxy statements of the contesting groups. This type of disclosure is vitally important for the protection of investors in contests for corporate control. Where persons seek to be appointed fiduciaries of the property interests of security holders, conflicts of interests should be identified and exposed. In the past, participants in proxy contests have sometimes attempted to conceal their background, financial interests in the company and activities in the solicitation for proxies.

Stock in "Street Names"

Corporate shares are often held in street names[10] and their ownership is constantly changing. Participants in a proxy contest may no longer rely on reaching the beneficial owners solely through direct solicitation of stockholders of record. The widespread use of paid advertisements, prepared press releases, press interviews, and radio and television broadcasts, has, therefore, become a common and necessary technique in inducing security holders to give, revoke or withhold proxies. Whether statements are written and prepared in advance or are spontaneous utterances they, nevertheless, may constitute part of a continuous plan to influence stockholders. Soliciting activities of this nature must be, and, of course, are, subject to the Commission's standards of fair disclosure and, specifically, to the rule prohibiting false and misleading statements.

It is administratively impracti-

*An address by Mr. Orrick at the Securities Regulation Round Table Meeting of the American Law School Association, Chicago, Ill., Dec. 29, 1955.

1 Securities Exchange Act Release No. 5276.

2 15 U. S. C. Section 78n.

3 *American Sumatra Tobacco Corp. v. S. E. C.*, 110 F. 2d 117, 121 (C. A. D. C., 1940); *Wright v. S. E. C.*, 112 F. 2d 89, 94-95 (C. A. 2, 1940)

4 Senate Committee Report No. 792, 73d Cong., 2d Sess., page 12.

5 Senate Committee Report No. 1455, 73d Cong., 2d Sess., page 77.

6 Fletcher Cyc. Corp. (Perm. Ed.) Section 2025.

7 *Ibid*, Section 2050.

8 *Ibid*. Sections 2050, 2060.

9 *Ibid*, Section 838.

10 Stock which is registered in the name of a nominee such as a brokerage firm.

cal for the Commission to scrutinize in advance of publication all statements made to the general public by participants in an election contest. For example, it is, of course, impossible to regulate spontaneous oral statements that may be made to the press. The rules do require, however, that copies of soliciting material in the form of prepared speeches, press releases, and radio and television scripts must be filed with the Commission promptly after their use, and, as an administrative convenience to the public, such documents may be filed with, and will be reviewed by, the Commission in advance of use.

Data to Be Filed With SEC

All advertisements used as soliciting material in a proxy contest must be filed with the Commission prior to publication. Reprints or republications of any previously published material used in soliciting proxies also must be filed prior to use, together with a statement identifying the author and any person quoted in the article and disclosing whether the consent of the author and of the publication to use the material has been obtained, and if any consideration has been, or will be, paid for its republication.

The annual report of a company is not usually considered to be proxy soliciting material and does not have to be filed with the Commission. However, any portion of the annual report that discusses the solicitation of an opposition group is subject to the proxy rules and must be filed with the Commission prior to distribution to stockholders.

In the heat of bitter struggles for corporate control, participants are inclined to make ambitious predictions of the operating and financial results that will occur if they win the election. Prognostications regarding specific future security values, earnings and dividends are usually not supported by actual data and may be misleading. Vicious attacks impugning character, integrity and personal reputation are frequently aimed at adversaries. This type of argumentation is proxy soliciting material tends to confuse security holders and to destroy the corporate franchise, and its use would violate the rule proscribing false and misleading statements.

Public stockholders, no less than public investors, are entitled to protection from false, misleading and irrevelant statements. The objective of the Commission, in adopting its revised proxy rules, is to provide more effective guides for the conduct of proxy solicitations, especially in contests for the election of corporate directors, to assure fair and honest treatment to owners of securities, both by management and by outsiders seeking to acquire corporate control.

Britain's Economic Plight Due to Overfull Employment

By PAUL EINZIG

Dr. Einzig finds Britain's "state of affairs incomparably worse" than last year due to overfull employment and consequent monopolistic labor practices. Says union restrictions on productivity make wage negotiations an empty gesture. Increased wages and, in part, profits, enter into vicious circle of increased living costs upon which more wage demands are based. Notes workers' obstinacy and complacency may cause deflation as a consequence of run-away inflation.

LONDON, Eng. — The reconstructed Government and its new Chancellor of the Exchequer are engaged on the task of devising means for checking inflation, but meanwhile organized labor in Britain is doing its utmost to accentuate it. Hardly a day passes without another and yet another wages claim being presented. By the time a wages settlement is reached, the Union concerned is ready to put forward a new claim. And such is the scarcity of labor that employers, after going through the gestures of negotiations, usually concede the greater part of the claims, if not the whole of them. The claims are based in part on the rising cost of living, even though they are caused precisely by such claims, and in part on rising profits, which argument is certainly inapplicable to nationalized industries.


Paul Einzig

But the inflationary wages spiral is not the only evil consequence of overfull employment. The restrictive practices, which greatly aggravate the scarcity of labor and handicap Britain in technological progress, are also on the debit side of the balance-sheet of overfull employment. As the Prime Minister, Sir Anthony Eden, pointed ou tin a speech on Jan. 18, workers behave at present as if we were still amidst large-scale unemployment. He very aptly described this attitude "Maginot Line mentality," meaning that the workers entrench themselves in their jobs and fail to use their opportunities for progress.

New instances of trade union restrictive practices come to light in frequent intervals. The Transport Commission installed at one of ports at considerable expense a grain elevator, to allay the scarcity of dock labor. But the Transport and General Workers Union insists that the same number of men should be employed as before for handling the grain which is now handled by the elevator. It is not as if there could be a question of dismissing the men who have become superfluous for the performance of this particular job. There is plenty of other dock work for them. And even if they were dismissed, there are thousands of firms who would gladly re-employ them. Nor are most workers opposed to change. Year after year a very high proportion of workers change their jobs of their own free will. But they are determined to refuse to be moved from their jobs by their employers, even if their employers happen to be a national board like the Transport Commission.

The rate of accidents has increased considerably on the British Railways during recent months. This is due in part to shortage of maintenance staff and in part to shortage of signalmen. In spite of this the National Union of Railwaymen objects to the repair of the railway lines by outside contractors, and to the adoption of automatic signals.

London's principal meat market witnessed a curious incident recently. A retail butcher made a heroic effort to assert his human rights by trying himself to load on his van the modest quantities of meat he purchased, instead of engaging overpaid licensed porters for that task. He took the matter before a Law Court, and the judgment confirmed that he was entitled to dispense with these porters. But the porters threatened with strike, so the wholesalers refused to sell any meat to this butcher unless he engaged porters. The matter has now been put before the Lord Mayor, and there is a demand for a Parliamentary inquiry into this monopolistic practice. If the butcher, Mr. Durrant, should emerge successfully from this struggle, his name may go down in history with that of John Hampden, who resisted an equally obnoxious tyranny three centuries ago by refusing to pay ship money. The tyrant of those days, Charles I., imposed ship money unlawfully. The tyrant of our days, the Smithfield branch of the Transport and General Workers Union, seeks to impose its arbitrary ruling in flagrant defiance of the ruling of one of the Judges of the Queen, Charles I.'s decendant. The tyrant has changed but the attitude of defying the law of the land remains the same.

The publication of the Government's Bill seeking to reduce restrictive practices by associations of business firms is imminent. The Bill is confined to restrictive practices of one side of industry only. The Government considered its politically impracticable to try to interfere with the restrictive practices of labor. But once the Bill becomes law, the moral case for doing away with the worst abuses of Trade Union monopolies will become much stronger. It is the Prime Minister's intention to contact the Trade Unions Council after his return from Washington, to seek to obtain some agreed modification of such restrictive practices. But the Trade Union leaders themselves are largely powerless against the determination of the rank and file to uphold these practices. For instance, although most responsible Trade Union Leaders are in favor of importing Italian mine workers to increase the coal output, they have encountered stubborn resistance on the part of the branch unions, and the scheme had to be dropped.

As a result of the increase of the degree of overfull employment, the extent to which the monopolistic position of workers is abused is increasing progressively. Today the state of affairs is incomparably worse than it was even a year ago. Discipline in industry is deteriorating, and conditions in many instances are verging on the intolerable. In such circumstances it is not at all surprising that many employers and Conservative politicians would like the return of a certain degree of unemployment. This has now become an emotional issue, however, and arguments that the present abnormal state of affairs must be brought to an end, if possible without creating unemployment, but if necessary, through creating unemployment, are brushed aside with contempt. Yet it may have to come to that, for, unless the trade unions exercise some self-restraint, the danger of runaway inflation is bound to lead to drastic deflationary measures.

A. J. Gould, V.-P. of Albert Frank Agency

A. J. Gould, mail order specialist, has been elected a Vice-President of Albert Frank-Guenther Law, Inc., advertising agency, it was announced by Howard W. Calkins, Chairman. The election reflects the expansion of the agency's activities in mail order and direct mail advertising. Mr. Gould has been associated with the agency for the past five years.


A. J. Gould

James Johnston has been elected Assistant Treasurer of the agency. Mr. Johnston has been associated with AFGL for about 10 years.

L. H. Easterling Co. Formed On Coast

SAN FRANCISCO, Calif.—L. H. Easterling & Co. has been formed with offices in the Russ Building to engage in a securities business. Officers are Salem C. Pohlman, President; Lawrence H. Easterling, Vice-President and Treasurer; Ferard Leicester, Secretary. Mr. Easterling was formerly Vice-President of Eastland, Douglass & Co.

Tasch & Co. Opens

Tasch and Co., Inc., has been formed with offices at 11 East 44th Street, New York City to engage in a securities business. Officers are Henry R. Tasch, President; Sidney Tasch, Treasurer; and Howard L. Tasch, Secretary.

Dick & Merle-Smith to Admit Three Partners

Dick & Merle-Smith, 48 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 2 will admit Gustav B. Nelson, James T. Concagh and Hermann C. Schwab to partnership. Mr. Concagh and Mr. Nelson are in the firm's trading department.

Harrison & Co. to Admit J. A. Dryden

CINCINNATI, Ohio — Harrison & Company, Fifth Third Bank Building, members of the New York and Cincinnati Stock Exchanges, on Feb. 2 will admit John A. Dryden to partnership.

President's Budget Proposals

Recapitulation of budget for fiscal year ending June, 1956, indicates $200 million surplus instead of a $1.7 billion deficit. Twice that surplus is expected for fiscal year 1957, though budget is to be increased $1.6 billion to $65.9 billion, with 64% of expenditures earmarked for national defense. Unprecedented prosperity, due to fiscal-credit management and business confidence, helped to increase tax revenues by $1.8 billion. Eisenhower requests continuation of excise and corporate taxes for another year.

President Eisenhower on Jan. 16 submitted to Congress estimated balanced budgets for his second and third fiscal years, but cautioned that the slim margin of surpluses would require the "utmost cooperation" between the executive and legislative branches of government. The enlarged budget for 1956-1957 fiscal year provides heavier expenditures for the dominant item, national defense, and generally marks increases in government projects and activities, many of them in the "human welfare" column. President attributes prosperity and its accompanying swollen tax revenues to the $7.4 billion tax reduction and reform of 1954; reduced government expenditures, and prudent fiscal-credit policies. The Budget Message of 1957 enunciated as its objectives: prosperity without inflation and future deficits, enlarged opportunities for economic growth and human well-being, and a "just and durable peace." Eisenhower regretted the necessity for maintaining a strengthened national defense program.

Pres. Eisenhower

Pertinent parts of the President's Budget Message for 1957 follow:

To the Congress of the United States

I send you today the Budget of the United States Government for the fiscal year 1957 which begins July 1, 1956. This budget also includes the fiscal results of all government operations for the year ended June 30, 1955, and revised estimates for the current fiscal year ending June 30, 1956.

The budget I am proposing for 1957 is a balanced budget. It is my expectation that the budget will also be in balance for the fiscal year 1956.

Although balanced, the margin of estimated surplus in each of these budgets is slim. This calls for the utmost cooperation between the Executive and Legislative Branches to prevent increases in expenditures or reductions in receipts that would create a deficit.

The present encouraging budgetary outlook arises from a favorable combination of factors involving both receipts and expenditures. Substantial reductions in government expenditures have been achieved in the past three years. A significant increase in revenues is currently anticipated as the result of our present unprecedented prosperity. In the achievement of this prosperity, the historic $7.4 billion tax reduction and reform program of 1954—so advisable during the transition to a peacetime economy then taking place—and the confidence born of prudent fiscal and credit management have been strong energizing factors.

Budget expenditures in the fiscal year 1956 are now estimated at $64.3 billion. This is a reduction in government spending for the third successive year. It is a decrease of $10 billion from the amount actually spent by the Federal Government in the fiscal year which began July 1, 1952. It is a cut of $13.6 billion from the amount proposed in the budget for the fiscal year beginning July 1, 1953, submitted to the Congress in January of 1953 before this administration took office.

For the fiscal year 1957, total expenditures are estimated to rise approximately $1.6 billion over the anticipated level for 1956. This increase will be more than offset by the rise in receipts estimated to result from continued growth in the national economy. The budget for 1957 is a balance at a high level of receipts and expenditures. The search for additional savings that can be effected while strengthening our security posture and providing essential government services must be relentless.

We will continue to give the taxpayer greater and greater value for each dollar spent. We will continue to foster orderly growth of our economy through sound fiscal policies. The confidence in the future among consumers and businessmen generated by those policies must be maintained.

Budget Policies

We seek, above all, the attainment of a just and durable peace. Thus, the resources of the world can be directed to building a better life for all people. The people of the Soviet Union and of the countries under its domination are undoubtedly as anxious as the people of other nations to achieve this objective. I regret that the Soviet leaders have not as yet given any tangible evidence of an intention to agree on a plan of disarmament that can be verified by adequate inspection. In the absence of such tangible evidence, we must follow the course reflected in this budget of steadily strengthening the defense of the United States and its allies, so that the free world will remain strong enough to deter possible aggressors or to retaliate immediately and effectively if attacked.

Budget Totals

(Fiscal years. In billions)

	1955 actual	1956 estim'd	1957 estim'd
Budget receipts	$60.4	$64.5	$66.3
Budget expenditures	64.6	64.3	65.9
Budget surplus (+) or deficit (—)	—4.2	+.2	+.4

At the same time the government of the United States will steadfastly seek all possible ways of further progress toward our goal of peace. We will speed the development of the civilian uses of atomic energy and make the resulting benefits available, under appropriate controls, to other nations for the well-being of mankind. We will propose logical methods for advancing disarmament. We will promote international trade and investment. We will not falter in our cooperative efforts to build the economic, as well as defensive, strength of the free world through the Mutual Security Program.

At home, programs instituted by the Executive and the Congress have helped to nurture an unprecedented prosperity without inflation. Our objective is to foster and encourage conditions in which this prosperity can be sustained and can be more fully shared by agriculture and certain sectors of our industrial economy. The growth and movement of our population and the complexity of our dynamic society are continually creating needs which must be met if we are to build wisely for the future. For years, many activities which are desirable for fostering sound economic growth have been postponed because of the overriding needs of war and defense.

Defense needs are still overriding and must continue to be met in full measure. However, budget revenues now permit us to undertake some new and expanded programs for enhancing opportunities for human well-being and economic growth. This budget reflects that purpose.

These two national objectives of securing a lasting peace and of sustaining widespread prosperity and well-being are closely linked to our third goal of financial strength and stability.

We are equally well aware that overenthusiastic and ill-considered government efforts to promote economic development could lead to inflation, and could also choke off private initiative, which is the well-spring of economic development and of a better life. Inflation would bring suffering to the very groups whose well-being

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President Submits Economic Report to Congress

President reports: (1) economy's annual output nearing $400 billion; (2) continuation of prosperity with some declines offset by increases elsewhere; (3) Government's ability to "moderate economic fluctuations"; (4) special treatment needed for farm, chronic unemployed and low income groups, and (5) necessity of Congress to study need for instalment credit stand-by legislation. Warns "prosperity cannot be taken for granted" and pledges quick Government response to meet changing economic conditions.

In fulfillment of the Employment Act of 1946, the President, on Jan. 24, sent his annual Economic Report to Congress which contained some 53 recommendations for continued growth and dealt with the theme that "lasting prosperity . . . depends far more on what individuals do for themselves than on what the Federal Government does . . . for them." In stressing the new farm legislation, the proposals to meet "pockets" of unemployment and low income, and suggested study of standby consumer credit curbs, the letter of transmittal accompany and highlighting the Report pointed out that there is no attempt to achieve prosperity by "expanding . . . governmental outlays" or "by permitting the value of money to depreciate."

The text of the President's letter transmitting his annual Economic Report to Congress follows:

I am herewith presenting my economic report, as required by Section 3 (A) of the Employment Act of 1946.

In preparing this report, I have had the assistance and advice of the council of economic advisers. I have also had the advice of the heads of executive departments and independent agencies.

Since my report is long, I present below, largely in the words of the report itself, what I regard as its highlights.

Recent Economic Achievements

Full employment, rising incomes, and a stable dollar have been cherished goals of our society. The practical attainment of these ideals during 1955 was the year's great economic achievement.

The past year has brought fresh witness to the basic strength and resiliency of our economy. We have broken through to new and higher ground, and have reached the threshold of a $400 billion economy.

Whether we observe economic activity at this stage of production, or employment, or income disbursement, or consumer spending, we find evidence of progress and prosperity.

The nation's expanding income is being shared widely. Employment and wages are at record levels. Both investment and consumer spending are going forward at a good pace.

Some groups of people have not, however, enjoyed a full measure of prosperity, and we must keep that fact before us as we build for the future.

The Role of Government

The mainspring of our economy is to be found in the qualities of the American people. Given free institutions and a favorable physical environment, an expanding economy is the natural fruit of the enterprise of such a people.

Today, we believe as strongly in economic progress through free and competitive enterprise as our fathers did, and we resent as they any unnecessary intrusion of government into private affairs. But we have also come to believe that progress need not proceed as irregularly as in the past, and that the federal government has the capacity to moderate economic fluctuations without becoming a dominant factor in our economy.

Our governmental policies have concentrated on building an economic environment that favors an orderly expansion of private activities. The federal government has not sought to maintain good times by expanding our already huge governmental outlays or by permitting the value of money to depreciate.

Related Policies

The administration has sought, in cooperation with the Congress, to discharge its responsibility through a series of closely related policies.

First, by removing direct controls over prices and wages, which had outlived their usefulness.

Second, by preserving an actively competitive environment and assisting new and small businesses.

Third, by curtailing governmental activities that could be handled as well or better by private enterprise.

Fourth, by restricting public expenditures, and yet adding to the country's defensive strength and its stock of public assets, especially highways, hospitals, and educational facilities.

Fifth, by lightening the burden of taxes imposed on individuals and business.

Sixth, by extending the ties of trade and investment with other nations of the free world.

Seventh, by tempering the impact of unemployment, old age, illness, and blighted neighborhoods on people, yet not impairing self-reliance.

Eighth, by extending the automatic workings of our fiscal system that tend to offset or cushion changes in income arising from changes in economic activity.

Ninth, by attacking fundamental causes of weakness in the farm situation.

Tenth, by acting promptly and resolutely when either recessionary or inflationary influences in the general economy became evident.

To help keep our surging economy in a healthy condition, the government in 1955 held the tax line. The Federal Reserve System shifted from a policy of active credit ease to one of moderate restraint. These policies contributed in large degree to the achievement and maintenance of prosperity without price inflation.

Extending Prosperity

A period of general prosperity, such as we have recently been experiencing, presents a challenge to an intelligent citizenry. We must find ways and means of extending prosperity to the less flourishing sectors of our economy.

The position of farmers in our dynamic economy has aroused deep concern. It is imperative that we strengthen farm programs on the basis of a realistic appraisal of the present situation.

The persisting decline in farm prices and incomes reflects a continuing imbalance between farm output and its ultimate disposition. The unbalance and resulting huge surpluses are to be traced largely to the technological revo-

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Business in 1956 as Viewed by Marcus Nadler

After viewing the causal forces, sources of strength, new peaks and factors affecting the past year's economic growth, Dr. Marcus Nadler, New York University Professor and Consultant to the Hanover Bank, in the January issue of the Hanover Bank's "Monthly Letter," probes into the near future and perceives for the next few months that:

Marcus Nadler

"(1) The upward business momentum at present is very strong and is bound to continue so for a while.

"(2) Disposable personal income, notably that derived from wages, is rising, and will expand further with the increase in the minimum wage rate on March 1 from 75 cents to $1 an hour.

"(3) Capital expenditures by corporations are large and estimates of such expenditures for 1956 are about 13% above those for 1955.

"(4) Orders in the hands of manufacturers are considerable and were increasing toward the end of the year. Unfilled orders at the end of November were $53.7 billion as against $46.4 billion a year before. The large backlog of orders assures good business activity at least for the next few months.

"(5) Certain industries are increasing inventories. The steel industry is reported to be booked up to the limit through the end of the first quarter, and shortages of other basic raw materials also exist.

"All these factors combined indicate a high level of business activity in the first few months of 1956. Beyond that the outlook is not clear and there is a possibility that the level of business in the second half of 1956 may be somewhat lower than in the last quarter of 1955 and the first quarter of 1956."

In examining the possible performance of the economy in the remainder of 1956, Dr. Nadler divides the forces affecting the outlook into the four constituent elements comprising the Gross National Product and in probing each one in turn concludes that:

"(1) **Business in 1955 was the best in the peacetime history of the United States.** The economy was stimulated by a substantial increase in consumption expenditures for durable goods in general and automobiles in particular and by the large volume of home construction. These sectors also were primarily responsible for the rather sharp increase in the volume of individual indebtedness, which at the end of the year reached a new peak. Not all segments of the economy, however, shared in the great prosperity. Farm income continued to decline and the number of failures was large.

"(2) **The high level of business activity will continue in the next few months.** However, the outlook for the second half of 1956 is not yet clear. The internal political situation in an election year could have a profound psychological effect on business management and on the consumer, as well as on the equity market. The latter, in turn, exercises a considerable influence on business sentiment and on consumer spending.

"(3) **Disposable personal income in 1956 will remain at a high level and may even exceed the level reached in 1955.** Wages are rising and the increase in the minimum wage from 75 cents to $1 an hour will lift purchasing power of workers in some sections of the country and may lead to a general upgrading of wage scales. There is also a possibility of a reduction in taxes, particularly for individuals in the lower income brackets. But no material change in food prices can be expected because of the large surplus of farm products. Consumer expenditures, therefore, should remain high.

"(4) **Expenditures for goods and services by government—Federal, state and local—will be higher in 1956 than in 1955.** Similarly, expenditures for plant and equipment by business concerns should rise. All these factors indicate that the demand for goods and services should remain high and that on the whole 1956 will be a good year.

"(5) **Whether the average level of business activity in 1956 will be higher or lower than 1955 will depend primarily on the output of durable goods, notably automobiles, and on the erection of one-to-four-family homes.** In view of the rather sharp increase in the volume of consumer debt and the policy of active credit restraint pursued by the Reserve authorities, it is doubtful whether it will be possible to sell as many passenger cars in 1956 as in 1955. A decline in the output of automobiles of a million units could have a marked impact on business activity. Similarly, if the number of housing starts in 1956 is 100-150,000 units less than in 1955 this, too, will adversely affect business in general. There is also the possibility that the accumulation of inventory may come to an end during the year and be followed by some liquidation.

"(6) **It is, therefore, quite possible that sometime during the Spring business activity may show a decline, caused mainly by a downturn in those industries which were primarily responsible for the boom during the past year.** The extent of the decline and its duration will, at least in part, depend on psychological factors reflecting primarily internal political conditions which cannot now be appraised.

"(7) **Finally, in considering the future one must bear in mind that despite some weak spots, the economy as a whole is sound and growing.** The population is increasing by over 2.5 million each year, the standard of living is rising, and the decentralization movement from the congested cities to the suburbs continues unabated. The economy is dynamic, and expenditures for new labor-saving devices to counteract the constant increase in production costs will grow. Outlays for public works probably will expand for years to come. At the same time, it cannot be overlooked that the stimulus arising from the sharp increase in private indebtedness cannot continue indefinitely at the 1955 pace. In fact, such a development would not be desirable since it could lead to more serious difficulties later on.

"The question is not whether the economy is headed for a serious setback but rather whether 1956 will be the best or the second best peacetime year in the history of the country. As in the past year, not all segments of the economy will share alike in the general prosperity. Competition will be keen, perhaps keener than in 1955, and efficiency and productivity will be vital factors in determining profit margins."

Minimum Wage Law Harms Real Growth

By EMERSON P. SCHMIDT*

Director of Economic Research
Chamber of Commerce of U. S. A.

Economist sees keen competition for labor continuing and $25,000 average family income three generations hence at today's prices. Proposed extension of minimum wage law to retail and service industry termed unwarranted. Analyzes minimum wage need in light of tremendous real wage gains made during 90-year non-union period. Finds competitive system directs non-labor productivity gains to labor but that $1.00 minimum wage may affect prices, profits and employment.

In discussions of minimum wage legislation, some people seem to assume an employer can set wages at his own discretion. This is not the case. The employer has many rivals seeking the same labor.

Dr. E. P. Schmidt

With our high degree of labor mobility and the growing knowledge of job opportunities, through better information and communication, workers are always ready to move on to new jobs when better wages are offered. Furthermore, under a successful policy of high level employment, jobs tend to be abundant. For these reasons, no employer can, for long, pay less than any worker is worth.

How Real Wages Rise

In our economy today, we experience gains in productivity, in output per worker from year to year. Under our competitive system, there is no way in which these productivity gains—through science, invention, discovery, new investment and increased management efficiency—can be kept away from the workers. There may be isolated cases where this process may lag a bit. However, the whole history of our economic progress demonstrates that these isolated cases are the exceptions.

From 1914 to the present, for example, the consumer price index rose from 43 to about 115, or about 260%. But average hourly earnings in manufacturing jumped from 22c to $1.91, or by more than 700%. In 1930-31, wholesale prices stood approximately at the same level as they were in 1840, 90 years earlier. Yet, in the same 90-year period, average wage rates increased by approximately 700%. This is a phenomenal and little known performance.

*An address by Mr. Schmidt at the 45th Annual Convention of the National Retail Dry Goods Association, New York City, Jan. 10, 1956.

During this long 90-year period, there was no national minimum wage fixing, little social legislation and few unions. Few states had adopted this form of intervention.

Why, then, did real wages rise throughout our entire history? The answer lies in two forces working together. First, were the tremendous gains in productivity, brought about by constant innovation, financed by venture capital, and guided by alert, risk-taking management. Second was the rivalry among employers for scarce labor, which drove wages up to the limit permitted by rising productivity.

We can expect this progress in *real wages* to continue in the future. The outlook for continued productivity gains is good, provided a proper economic climate is maintained for new investment and management is permitted to exercise its ingenuity along the lines of our new research study "Getting and Holding New Employers." Competition in the labor market is keen and will continue to be so.

Today, only one family in every hundred has an income of $25,000 a year. But in about three generations, the *average* family may well have an income of $25,000 per year—in terms of today's prices. Why this talk about the need of minimum wage fixing?

The Minimum Wage

In view of this dramatic performance and future outlook, why does the view persist that somehow government must help raise wages through minimum wage legislation?

Probably, part of the reason the government got into the business of minimum wage legislation lies in the circumstances surrounding the original passage of the act. The Fair Labor Standards Act was passed in 1938, when, for nearly a decade, the economy had been suffering through its worst depression. People were aware of the vast gains in real wages which had been achieved through free competition in the past. But their faith in these gains continuing in the future was deeply shaken.

The legal minimum started at 25c, worked up to 40c and was amended in 1950 to 75c. Next March, it will be $1. In addition, a limit on weekly hours was placed at 40 hours, with provision that time-and-a-half was to be paid for overtime work.

It cannot be known exactly what effect this minimum has had on the economy as a whole, or on working conditions in low-wage industries.

One reason is that periods of inflation have invariably followed revisions in the minimum wage. Soon after the law originally took effect, we were plunged into the World War II period. The inflation which occurred made it possible for employers to pay the higher wage.

The increase in 1950 came just prior to the outbreak of hostilities in Korea. Within a year, the price level jumped 10%. The jump was particularly marked in prices of products sold by the low-wage industries. Again, the inflation, in effect, "repealed" the establishment of the minimum wage.

Proposals to increase the minimum wage in 1955 appeared at a time when economists generally anticipated conditions of relative price stability. This put the problem in a new light. Furthermore, strong demands emerged for a more drastic revision than had ever been attempted before.

A $1 minimum wage will go into effect March 1 of this year. Obviously, it is too early to say what the effect of this new revision will be. It seems likely that there will be a moderate rise in consumer prices, but whether this will be enough to compensate employers faced with wage increases is not yet known.

Only one conclusion from our 17-year history with minimum wage legislation seems evident. The minimum wage has *not* given low-wage employees any special

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Following the annual organization meeting of the board of directors of **Chemical Corn Exchange Bank, of New York**, N.


N. Baxter Jackson


Harold H. Helm


Isaac B. Grainger


Gilbert H. Perkins

Baxter Jackson announced his retirement as Chairman. At the request of the directors, he will become Chairman of the Executive Committee and will continue to participate actively in the bank's affairs. Harold H. Helm has been elected Chairman and Chief Executive Officer. Gilbert H. Perkins, Executive Vice-President, becomes Vice-Chairman. Isaac B. Grainger, Executive Vice-President, succeeds Mr. Helm as President. As Chairman of the Executive Committee, Mr. Jackson succeeds Percy H. Johnston who has been elected an Honorary Chairman. Mr. Johnston joined Chemical Bank in 1917 as Senior Vice-President and was its chief executive for many years until he retired in January, 1946. Mr. Jackson, who became associated with the bank in 1920 as an Assistant Cashier, rose to the Presidency in 1946 and was elected Chairman and Chief Executive in 1947. He has just completed his term as President of the New York Clearing House Association and as a Class A director of the **Federal Reserve Bank of New York**, having previously served as a member of the Federal Advisory Council.

Mr. Helm, following his graduation from Princeton University in 1920, joined the staff of Chemical Bank. He became Vice-President in 1929, First Vice-President in 1946 and President in 1947. He is a director and member of the Executive Committees of Associated Dry Goods Corp., the Equitable Life Assurance Society of the United States, etc. Mr. Perkins joined Chemical Bank in 1913, starting as a clerk. He was elected Assistant Vice-President in 1929, Vice-President in 1933 and Executive Vice-President in 1950. He has been active as a director of the Association of Reserve City Bankers and is a member of the Credit Policy Commission of American Bankers Association, etc. Mr. Grainger began his banking career in 1917 at the **Murchison National Bank of Wilmington, N. C.** He rose to Vice-President in 1924, and, in 1929, was elected Executive Vice-President of the **North Carolina Bank & Trust Co.** In 1934 he was elected President of **Montclair (N. J.) Trust Company**, holding that office until he joined **Chemical Bank** as Vice-President in 1943. He became Executive Vice-President in 1950. He is President of the New York Southern Society, and a director of the numerous companies, including the Mercantile Insurance Company of America, North British & Mercantile Insurance Co. Ltd., the Chemical Corn Exchange Safe Deposit Co., etc. Chemical Corn Exchange Bank was founded in 1824. Its assets are indicated as more than $3 billion, and besides correspondent banks throughout the world, the bank maintains nearly 100 offices in all five boroughs of New York City and is headquartered at 165 Broadway.

* * *

As authorized by shareholders at their annual meeting on Jan. 20 directors of **Chemical Corn Exchange Bank of New York** have set a subscription price of $44 per share on the rights offering of 590,425 new shares of capital stock, $10 par value. This will increase the total number of shares outstanding to 5,313,825 upon which it is the bank's intention to continue the $2 annual dividend. The action of the stockholders authorizing the new issue was noted in these columns Jan. 19, page 280.

The additional stock will be offered to shareholders at the rate of one new share for each eight present shares held of record at the close of business on Jan. 19. The subscription rights will expire on Feb. 8. The bank has entered into an agreement with a group of underwriters for the purchase, at the subscription price, of any unsubscribed shares, except that the bank may reserve up to 25,000 shares for purchase by officers and employees. The group will be headed by Kuhn, Loeb & Co., The First Boston Corp., Hemphill, Noyes & Co. and W. C. Langley & Co. as managers. Of the estimated $25,600,000 net proceeds, $5,904,250 will be credited to capital and the balance to surplus and reserves. After giving effect to the sale, the bank's aggregate capital, surplus and undivided profits as of Dec. 31, 1955, would have been $222,304,000. Chemical Corn Exchange Bank and its predecessors, it is stated, have paid cash dividends regularly for more than 100 years and the annual rate has never been reduced.

* * *

The Board of Trustees of **The Bank for Savings in the City of New York** announces the following appointments, effective Jan. 17: DeCoursey Fales, Chairman of the Board; Alfred S. Mills, President; Harold D. Rutan, Vice-Chairman of the Board. Mr. Fales, Chairman of the Board, joined the bank in 1941 as President. Previously he was a member of the law firm of Cadwalader, Wickersham & Taft, attorneys for the bank since it was founded in 1819. When Mr. Fales became associated with the bank 15 years ago, it had two offices with assets of $237,000,000. Today it has four offices in Manhattan, plus Subway Deposit Windows at its main office, Fourth Ave. at 22nd St.; assets are $449,000,000.

Alfred S. Mills, newly elected President of the bank, has been a member of its staff since 1939 and in 1953 was appointed Executive Vice-President in charge of New Mortgage Loans. Previous to joining the bank, he was with the Prudential Insurance Co. Mr. Mills has been a Trustee of The Bank for Savings since 1953. Mr. Rutan, Vice-Chairman of the Board, joined The Bank for Savings in 1939. He was previously with the Prudential Insurance Co., Newark; in 1953 Mr. Rutan was named Senior Executive Vice-President and was elected a trustee. The Bank for Savings has also announced the appointment of Edwin G. Picken as an Assistant Vice-President and John L. Westney as an Assistant Secretary. Mr. Picken joined the bank in 1929 and in 1953 was appointed an Assistant Secretary. Mr. Westney has been a member of the bank's staff since 1931.

* * *

The election of James M. Cooke, Jr., as Senior Vice-President of **Clinton Trust Company of New York** was announced on Jan. 18 by Edward W. Smith, Chairman of the Board. Associated with the bank since 1931, Mr. Cooke, for the past nine years has been Vice-President in charge of loans at the bank. He is past President and presently a member of the Board of Governors of the 475 Club, composed of leading credit executives.

* * *

At a meeting of the directors of the **Kings County Trust Company of Brooklyn, N. Y.** on Jan. 17, Chester A. Allen, President of the company, in addition to announcing the re-election of its present officers announced four promotions in the official family of the bank. Harold W. Schaefer was elected Secretary, Mary A. Mannix and William McShane were appointed Assistant Vice-Presidents, and John M. Young was appointed Comptroller. Miss Mannix joined the company in 1922, Mr. Schaefer in 1926, Mr. McShane in 1934, and Mr. Young in 1927. The title of Assistant Vice-President is new to the company, made necessary, it is stated, by its growth.

* * *

Following the Jan. 17 annual meeting of the Directors of the **Marine Trust Company of Western New York of Buffalo, N. Y.**, it was announced that Charles H. Diefendorf, President of the bank since 1942, has become Chairman of the bank's Executive Committee and its Chief Executive Officer. Succeeding him as President is Francis A. Smith, who has been Executive Vice-President and a director of the bank for the past year. Mr. Diefendorf is also Chairman of the Board and Chief Executive Officer of Marine Midland Corporation. The new President, Mr. Smith, has spent his entire business career with Marine Trust Company. The directors also announced the advancement of George F. Rand, Jr. and John W. Livingston from Assistant Vice-President to Vice-President at the Main-Seneca office in Buffalo. Mr. Rand is in the bank's loan department and Mr. Livingston in the operations department. Additionally, Charles E. Stewart was elected Assistant Vice-President advancing from Trust Officer. William W. Hibberd who joined the New York office of the Municipal Securities department recently coming from C. J. Devine & Co. was elected Assistant Vice-President. In the Niagara Falls area, James F. Brennan was advanced from Assistant Secretary to Assistant Vice-President and John D. McArthur and Milton R. Kelling were elected Assistant Treasurers. Mr. Brennan is a member of the commercial banking department. In the Tonawanda area, Joseph B. Brider of the Midland Time Plan department was advanced from Assistant Secretary to Assistant Vice-President.

* * *

At their annual meeting on Jan. 18 the stockholders of **The County Trust Company of White Plains, N. Y.**, approved the proposal for a 5% stock dividend, it was made known by Andrew Wilson, Chairman of the Board of Directors. This will be the fourth consecutive year in which such action has been taken. The stock dividend of one new share for every 20 now held will be distributed on Feb. 23, to stockholders of record at the close of business on Feb. 1. Those entitled to fractional shares will receive directions along with their scrip certificates showing how they may be used to the best advantage. As a result of the move, the number of shares of County Trust stock outstanding will be increased from 1,267,450 to 1,330,825.

The stockholders re-elected Mr. Wilson, Chairman; Dr. Joseph E. Hughes, President; Raymond R. Beatty, Gerald S. Couzens, Julian F. Detmer, E. J. Murray, William R. Roane, Irvington and Harold A. Stein, as directors for terms of three years.

Following the stockholders' meeting the directors re-elected the entire staff of officers and in addition, Roger D. Patch, Vice-President of Arnold Bakers, was appointed a member of the Port Chester advisory board.

* * *

At the organizational meeting of the Board of Directors of **National Bank of Westchester of White Plains, N. Y.**, which followed the annual meeting of the stockholders, Oliver W. Birckhead, Chairman of the Board, announced his retirement effective immediately as an active officer of the bank. Ralph T. Tyner, Jr., President of the bank has been elected Chairman and President. Mr. Birckhead had been Chairman of the bank's board since its organization on Nov. 1, 1954, and before that was Chairman of the Board of **The Westchester Bank & Trust Co.**, which was the outgrowth of a consolidation on Oct. 31, 1953 of The New Rochelle Trust Co. and The Peoples National Bank & Trust Co. of White Plains. Born in Washington, D. C., Mr. Birckhead became secretary to former Secretary of the Treasury, Franklin MacVeagh and subsequently, he was secretary to the former Comptroller of the Currency, John Skelton Williams, who appointed him the first Supervising National Bank Examiner. In 1923 Mr. Birckhead was appointed Vice-President of The Harriman National Bank in New York. In 1926 he was appointed President of the **Murray Hill Trust Company of New York**, which subsequently merged with the **Bank of America** of which Mr. Birckhead became Vice-President. On Feb. 1, 1932 he was elected President of The Peoples National Bank of White Plains and continued this association until his retirement last week. Mr. Birckhead will continue his association with the bank as Honorary Chairman. Ralph T. Tyner, Jr. who becomes Chairman and President has been President of National Bank of Westchester since its organization. Prior to that he was President of The Westchester Bank & Trust Company also of the New Rochelle Trust Company. Edward F. Prezzano who has been Chairman of the Executive Committee was named Vice-Chairman of the

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Business and Finance Speaks After the Turn of the Year

Continued from Cover

dictions of industry leaders. This record sales gain compares with an increase of about 7% in 1954 over 1953 and may indicate that the industry's previous estimate that its sales would double every 10 years is too conservative.

The electric industry installed 12½ million kilowatts of capacity in 1955, breaking all installation records and bringing the nation's generating capability to 120 million kilowatts.

The prospect of economically generating large quantities of electric power by nuclear energy is receiving increased attention, study and planning by the nation's electric utility companies. The research programs of the power companies devoted to this activity, while larger than any they have heretofore undertaken, are typical of the industry's continuing efforts to provide better service at reduced costs by improved operations. The development of nuclear power will, however, be an orderly one in which utility managements will be able to protect the integrity of past investments and at the same time take advantage of this new technology.

Federal Government activities in the field of electric power were studied painstakingly and reported upon in 1955 by the Task Force on Water Resources and Power of the Hoover Commission. The Task Force reported that electric power projects are not essential Federal activities, that the Federal Government does not owe a responsibility to supply any region's power requirements, and that the nation's business-managed electric systems are capable of financing and installing the necessary generation, transmission and distribution facilities for our expanding economy.

In 1956 the industry looks to continued acceptance of the Administration's "partnership policy" that when "local enterprise can shoulder the burden, it will be encouraged and supported in doing so." While the Administration's partnership policy may be a political issue during this year, it is earnestly hoped that its fairness will be recognized and that it will receive the confidence and support of the American people.

HERBERT J. ADAIR

President, Artloom Carpet Co., Inc.

The carpet industry in 1955 had one of the best and busiest years in its history. Production of all types of carpets and rugs exceeded 95 million square yards and this undoubtedly topped the previous peak year of 1948. The manufacturers of carpets have adapted themselves to the shift in demands for the use of many new fibres and blends.

Herbert J. Adair

During 1955 there were approximately 40% more square yards of carpets made in so-called man-made fibres and blends of wool and carpet rayon. About 50% were in all wool and about 10% of the total yardage in cotton. The carpet manufacturers are optimistic due to distributor inventories being less than they were a year ago.

The increased volume is due in part to the housing and construction program and we have been concerned lately with certain signs of the high levels of construction possibly decreasing. However, it has been predicted recently that the 1956 building activities would exceed 1955 by about 11%.

It is the opinion of some of the government agencies that there will be constructed 1,200,000 homes this year and that sufficient mortgage money would be available to support a program of this size.

These are very encouraging developments and significant facts which tend to indicate a good industry business for the 1956 year.

Artloom had an increase in manufacturing facilities during 1955 in its plants in Philadelphia and Greenville, N. C. It is now considering a program of expansion during 1956 and plans for necessary equipment to balance out an increased production program are under review.

Artloom's program of diversification is progressing and the company is currently exploring several other situations.

In the summer of 1955 Artloom developed "duo-dellay," a cleaner for carpets, rugs, upholstery and painted surfaces which leaves a residue of soil retardent and brightens fibers with colorless, fluorescent dyes in one application. This is a companion product to "dellay" which was introduced in 1954—a soil retardent spray for clean or new carpets and rugs.

"duo-dellay" has been successfully introduced to professional rug cleaners and institutional users. Over 500 rug cleaners have been franchised to offer this service. The retail product has been successfully sold by mail order houses and tea and coffee companies. Limited tests were made late last year in other retail markets and expanded areas will be tested during the spring cleaning season of 1956.

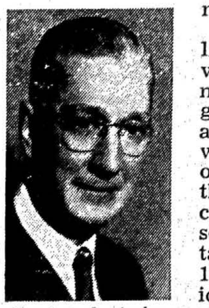
The Penart Division, which went into the production of flexible and rigid binders in mid-1955, successfully introduced a product "Vu-Ad," a colorful binder for catalogs and other advertising media, to the industrial market.

These products have been tested and distribution on a national basis for both the industrial and stationery store markets has been recently established. Other uses for the basic materials are being developed.

HARRISON L. AMBER

Chairman, Berkshire Life Insurance Company

A banker friend of mine tells me the story of an old farmer who came into the bank one day about the end of the year and the banker said to him, "Well, George, how do you think things look ahead?" "Well," said the farmer, "if last year is as good as next year, that is all I hope."



Harrison L. Amber

Maybe the old hill-towner was a little mixed up on his statement but when we endeavor to make a statement of what is ahead, we sometimes get a little mixed up too. However, as we attempt to look at the future, we cannot help but look at the record and we almost always come to the conclusion that what has preceded is most likely to continue for some distance in the future. Certainly not many can complain about 1955 and in spite of a national Presidential election in 1956, it will be a good year.

For one thing there is hardly a business that is not affected by an increase in population. The increase in population in 1955 can be expected to continue, human nature being what it is. Certainly the life insurance business is affected favorably as much as any business by a high birth rate.

As this article is being written, our commitments for new investments are at their highest point in our company's history. This argues well for the investment of our new funds in the coming year. Money may be a little tight in 1956 but it is doubtful if business will be retarded because of the scarcity of funds for investment.

There is a word of caution that might not be amiss to all of us. In times when the consumer has ample funds to spend, we seem to let down on our sales effort because our goods and services are being bought in spite of us. Then when we have to get out and really sell again, we have lost much of the art of selling, not to say anything of having lost the desire to work hard to succeed. The company salesman who pursues his business with the same vigor in good times and bad never has any bad times.

Turning the old farmer's words around, it would seem that next year would be as good as last year, but even if prosperity does not continue quite on the same level, it will still be a good year for business, for industry and labor.

PATINO R., ANTENOR

President, Patino Mines & Enterprises Consolidated

Tin—It is difficult to forecast the probable price and volume of production of tin in 1956 owing to two main factors (apart from the normal difficulty of estimating consumer demand). The principal unknown factor is whether Indonesia will adhere to the International Tin Agreement, thus permitting this latter to be put into effect. This Agreement was intended to keep the price of refined tin between floor and ceiling prices of £640 and £880, respectively, per long ton (equivalent to 80 cents and $1.10 U. S. per pound), the projected International Tin Council being obliged to sell tin when the price should exceed £880 and being obliged to purchase when the price should be less than £640. Certain well-defined operations would also be permitted within the above limits. An initial buffer stock would be provided by the producing countries of 15,000 tons, of which not more than 75% would be in tin metal and the balance in cash (calculated at £640 per ton). Production would only be restricted in certain defined circumstances.

Patino R., Antenor

The U. S. Government-owned tin smelter in Texas City, which has consistently operated at a loss, poses another problem. As the U. S. Government has practically completed its stockpiling program (assumed to be well over 300,000 tons, presumably sufficient for all U. S. necessities for six years) it has now put up the above smelter for sale. This would affect the tin industry because some 20,000 additional tons of fine tin annually (which at present go to the stockpile) might in future be sold through market channels. Fortunately there is an excess of tin smelting capacity in the world apart from the Texas City smelter.

The statistical position is now more satisfactory than for many years as, for the first nine months of 1955 consumption was at an annual rate of 147,000 tons, and production 167,000 tons, excluding U.S.S.R. and China. Even if stockpiling ceases completely after June, 1956, this overproduction would not necessarily have serious consequences as world stocks of tin are not high (outside Government stockpiles) and the present tendency is for tin consumption to increase in spite of technological advances in its industrial application. On the other hand production is not likely to increase appreciably, if at all.

This improving statistical position has influenced the price of refined tin, which for prompt delivery increased from a low of 85.75 cents per pound on Jan. 6, 1955 to a high of 110.50 cents in December. Even so, tin prices are still low compared with the equivalent prices of other nonferrous metals.

In resume, 1955 was a satisfactory period of recuperation for the tin industry from its former depressed condition. For the first six months of 1956 shortages of tin for prompt delivery may develop if stockpiling continues, but when the latter ceases a period of reasonable stability can be envisaged, barring new international tensions or technological discoveries. It should not be forgotten that two Asian countries, Malaya and Indonesia, are respectively the world's largest and second largest producers.

BENNETT ARCHAMBAULT

President, Stewart-Warner Corporation

At Stewart-Warner Corporation we are making our plans for 1956 on the assumption that the total national level of business activity will be somewhat lower than in 1955. Accordingly, we anticipate that hard selling effort and alert operating management will be required to achieve our goal of substantial improvement over our near-record 1955 performance. We recognize, as we assume all business managers do, that the further large increases in labor and material costs which industry has suffered during 1955 can have a most unpleasant impact if there is a serious decline in sales volume.

Bennett Archambault

Several of the many industries in which we are engaged appear to have brighter prospects this year than last. Others may experience some decline in total volume from 1955, but even these seem likely to have exceptionally good years by any other standard. All hold many great opportunities which can be realized upon by advanced engineering, low competitive costs and aggressive selling. These are the directions in which we at Stewart-Warner will concentrate our efforts.

During the past year we have added new products and have obtained new accounts. Should general economic conditions remain as favorable as in 1955, our operating results this year should exceed those of 1955. If the national economy declines moderately from the present level, we nevertheless expect our performance to be considerably better than that of most prior years.

We have great belief in the opportunities and the prospects of each of the principal industries in which Stewart-Warner participates—materials handling, lubrication, automotive, electronics, aviation, heating and air conditioning—and we look forward with much enthusiasm toward both 1956 and the years beyond.

LOUIS V. ARONSON, II

President, Ronson Corporation

Our planning at Ronson for 1956 has been based on these basic assumptions: (1) the level of purchasing power will continue to grow with disposable income probably reaching the $285 billion level, a gain of about $15 billion over 1955; (2) sustained investment by industry in new plant and equipment which will substantially offset the expected slowups in the automobile industry and residential construction and, and (3) a continuation of intensely competitive business conditions, irrespective of volume.

L. V. Aronson II

To take advantage of higher purchasing power, we have new and improved designs in our lighters and the new electric shaver. These lines achieved impressive sales in 1955 and we confidently expect further increases in 1956. A further interesting aspect of the market for lighters and shavers is the fact that we are now in a period of rapid growth in our teen-age population. This results from the upturn in births which began in the early 1940's and which has continued almost without interruption since that time. Thus a new market stimulus has been added to the normal demand for our civilian product lines.

In addition to these potential gains, the Defense Department has announced an increase in military spending, especially for aircraft and missiles. Ronson has been active in these fields for several years and last year undertook further expansion in this area through the purchase of Hydraulic Units, Inc. This West Coast company is now a wholly-owned Ronson subsidiary with important growth potentials in the aircraft and missile field.

Ronson also has important foreign business and our foreign sales and earnings will continue to reflect the prosperity which the free world is now enjoying, especially Western Europe.

In recognition of the intense competition noted above, Ronson is continuing to invest heavily in new plants and equipment to keep costs at competitive levels. The new plant in Stamford to produce shavers is an example of this policy and a new plant is now under construction at Stroudsburg, for the production of lighters. Older and outdated facilities have been abandoned. Further moves in this direction are under consideration in connection with production of military items.

Our plans, therefore, are geared to the type of busi-

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ness conditions we expect to prevail in 1956, i. e., high purchasing power, high volume in both civilian and military lines and intense competition.

C. J. BACKSTRAND

President, Armstrong Cork Company

The outlook for general business in 1956 is for further, though modest, improvement. At least equally encouraging are the prospects for the three principal markets served by the Armstrong Cork Company, namely, building materials and flooring products, industrial specialties, and packaging. While advances over the year ahead may not be as large as those recorded in 1955, both short- and long-term opportunities continue to be bright.


C. J. Backstrand

On many sides are strong indications of the vigorous growth taking place in our private enterprise economy. It is no wonder that companies such as ours are looking forward to expanded activities over the years ahead. But as impressive as future growth prospects are, it would be a mistake not to realize fully that change accompanies growth. Underlying the growth of the past decade has been a parade of changes affecting consumer demands, products, raw materials, and production methods. It seems certain that even more far-reaching changes can be expected over the coming decade. This will be particularly true in the building field where shifting consumer preferences as to style and vastly improved materials and installation methods can be anticipated.

Such promising longer-range growth prospects undoubtedly will support near-term business. While recognizing the tremendous underlying growth potential of the American economy, short-term objectives must always be kept in mind, for it is only by meeting such objectives year by year that long-term growth can be assured.

The year 1956 should see some further over-all gains in building. Once again, however, it will be necessary to focus attention on some divergent trends within building markets. Public interest in new housing seems in no way to have diminished but somewhat tighter mortgage-credit conditions in recent months point to a moderate slowdown in new housing activity during the months just ahead. Large numbers of new families including those of recently discharged veterans, record numbers of growing children, and expanding incomes, nevertheless, indicate another high home-building year. Millions of families living in older homes are becoming increasingly conscious of the desirability of modernizing their housing with professional assistance or through their own efforts. The year 1956 will see expanded widely-supported programs pointing up the urgency of repairing and modernizing existing dwellings as a deterrent to slums. All of these developments suggest that "fix-up" work will show a further increase during the year ahead which should at least offset any decline in new home-building.

The level of nonresidential building in 1956 should be well maintained and very likely will edge upward somewhat further. Suburbanization of much of the population continues to enlarge the needs for schools, hospitals, churches, and commercial buildings of all types. Moreover, stepped-up capital expenditures by business can only mean a still larger volume of industrial construction.

Within these generally favorable building prospects the outlook is even more promising for such specialized materials as those necessary for sound conditioning, air conditioning, insulation and modern floors, all of particular interest to the Armstrong Cork Company.

The outlook for industrial specialties is conditioned by prospects for general industrial activity and the opportunities for cost reduction. While some curtailment already is evident in demand for automobiles and certain other durable goods, expansion is to be found in other markets, including many types of machinery. With the never-ending requirements for cost reduction across industry, particularly in the face of rising wages and many material prices, the need for new products to increase efficiency remains undiminished. In these areas research efforts can be profitably directed, and particularly in friction materials, adhesives, and packing and gasketing items.

The rising desire of the American family to buy more conveniently and to have its requirements met through factory rather than home processing suggests another promising year for packaging materials. Competition among various packaging items for consumer preference remains keen but over-all expansion in the market provides an encouraging basis for projecting larger sales of individual packaging items. Improved glass containers are winning increasing favor in many food markets and are proving to be more satisfactory than several other packaging materials.

The coming year should be one in which "good selling will make the difference." The public should have more purchasing power, but at the same time may well be more "choosey" in view of heavy buying during 1955. Therefore, business success will depend significantly upon a carefully designed selling program rooted in aggressive advertising and promotion, backed up by extensive product and market research designed to keep products and plans well in line with changing consumer needs and desires. Satisfactory profits will require still greater emphasis upon converting sales in to earnings through improved efficiency in production and distribution. These are the tasks to which we are now devoting our major attention.

BRUCE BAIRD

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

The year 1955 has been exceptionally favorable for most lines of business endeavor. The sharp reaction in the general market resulting from the news of President Eisenhower's recent illness, from which he has made such a gallant and speedy recovery, reflected the National and International concern but the drop in prices was promptly checked and new highs have since been recorded reflecting strong underpinning and the effectiveness of measures taken to prevent the experiences of the Thirties which some of us can still vividly remember.


Bruce Baird

Steps have been taken to apply a gentle brake through contraction of credit to avoid excesses of expansion and it would seem likely that a firm policy may be looked for in 1956 to keep the general economic situation healthy and vigorous.

The amazing transition from a war-time to a peace-time operation with little loss of momentum speaks volumes for the adaptability of our business leaders and with such leadership we can enter upon the New Year with confidence that sound and conservative measures will prevail and that the United States will continue to advance as the stronghold of free enterprise and individual liberty.

G. T. BAKER

President, National Airlines

Statistics just released confirm forecasts made at the dawn of the New Year that in 1955 the air transportation industry would see new traffic and revenue records established. Indeed, they exceeded the most optimistic predictions.

Airline gains were so substantial that they alone resulted in a 3% increase U. S. inter-city common carrier traffic for the year, according to "American Aviation Magazine," which also reported a 19% gain in air passenger traffic, a 20% increase in revenue ton-miles and exceeded 1954's revenue figure by 13.4%.


G. T. Baker

Significantly, the magazine points out that while railroads and buses continued to slump, the airlines more than made up for their losses, marking for the first time since Korea that airline inter-city traffic has shown an increase. Long-range forecasting is at best a hazardous occupation and an even more precarious one to the airline seer who peers into his crystal ball in quest of the 1956 image of commercial air transportation. The dark shadow cast by radical and inexplicable decisions of the Civil Aeronautics Board in the latter months of 1955 has dimmed the notable achievements of the old year and beclouded the prospects for the new.

In 1956 the scheduled airlines of the United States find themselves confronted with one of their gravest perils through action of the Civil Aeronautics Board in legalizing cut-rate competition on the part of non-scheduled operators, henceforth to be known by the Board's edict as "Supplemental Air Carriers."

Having no obligation to serve the less profitable areas covered by the certificated airlines and now being legally permitted to conduct their "cream-skimming" operations at fare levels substantially below those of the scheduled airlines, the "Supplementals" can well bring about a situation whereby many of the scheduled lines can no longer support their services to marginal and loss cities without subsidy.

It seems incredible that consistent violators of the law should be rewarded at the expense of law-abiders by the same agency of government which has repeatedly cited the non-skeds for their illegal operations.

The Board has denied all petitions for reconsideration of its alarming action. There still remains a ray of hope for relief through pending court action.

The creation of a new pattern of airline competition in the Board's Southwest-Northeast decision likewise is open to conjecture as we visualize the future. Appeals for reconsideration in this case also have been denied.

If the Civil Aeronautics Board applies the same philosophy in the pending Northeast-Florida Case, the granting of additional competition between New York and Florida inevitably will cost the taxpayers additional millions of dollars in airline subsidy.

It is clear from the legislative history of the Civil Aeronautics Act that the primary purpose of Congress in enacting that legislation was to establish principles and machinery which would assure the air transportation industry a sound economic foundation upon which to build its financial and operational structure and by such means to promote the development of air transportation to the greatest extent consistent with the maintenance of such sound economic conditions in this industry.

Undoubtedly the airlines will establish new traffic records in 1956, however, the matter of increasing the profit factor over 1955 is open to serious question.

The future of this vital industry is dependent upon sound-thinking and virile action on the part of the agency to which is entrusted one of the most important responsibilities in government.

CLAUDE L. BENNER

President, Continental American Life Insurance Company

Whether or not the general level of business will attain new heights in 1956 is a moot question. While I can see little reason for expecting any appreciable decline in the over-all volume of business, nevertheless, one would have to be very optimistic indeed to expect 1956 to be a better year than was 1955.


Claude L. Benner

But this much is certain. If the volume of physical production increases materially over present levels, it will do so only at the cost of rising prices. This is obvious when one remembers that currently, most plants are running at 100% of capacity, many basic materials are scarce — in some there is even a black market — and unemployment is at a minimum.

Suppose it would be possible to sell more automobiles this year than were sold last, where would the steel come from out of which to make them? Again, suppose through making mortgage terms more generous and credit cheaper, an attempt is made to build more houses than were built last year, where would the building supplies come from? Last summer, many of these supplies were becoming scarce, and their prices rising. Is it wise to cause a scramble for these scarce products, or even to try to increase their output at the present time through bidding up their prices?

In short, where can we get the basic resources in manpower, materials and plant capacity to increase our over-all output this year? Would they not have to come through working overtime and by bringing into use inefficient marginal units of production? Inevitably, this would result in higher costs and rising prices. Do we want an increased output at this cost?

The coming year is likely to be one where the country will pause to catch its breath and consolidate its position. I think this is likely to take place in most phases of production. Certainly, it is to be desired in the expansion of credit, particularly in consumer credit. The nation simply does not possess resources of labor, capital, or materials to make possible a business expansion in 1956 over 1955, similar to what took place in 1955 or 1954.

I hope those who are charged with the over-all supervision of our banking, credit, and fiscal policies, will so conduct themselves that this attempt at increased production will not be made. A further increase in output, whether of houses, steel, or what-not, purchased at the cost of rising prices and inflation, is not worth the price.

Nineteen fifty-six bids fair to be a good year, but measured in profits, perhaps not quite so good as 1955. The level of employment should be high, prosperity widely diffused, and with the exception of the farmers, few classes should have any cause to complain. If taxes are reduced, business will be further stimulated. But without the benefit of tax reduction, the outlook is still good.

B. E. BENSINGER

President, The Brunswick-Balke-Collender Company

Our business is primarily divided into three major categories—the Billiard and Bowling Division, which encompasses bowling alleys, billiard tables, and bowling and billiard supplies; the School Furniture Division which encompasses pupil and school room seating (school furniture), classroom cabinets, as well as gymnasium equipment such as folding bleachers, folding partitions, folding stages, and wardrobes; and the Defense Division, in which field our activities consist mainly in the manufacture and furnishing of airframe component parts, as well as fiberglass products, such as radomes, to the aircraft industry.

The bowling picture for 1956 looks most promising for our company. We will shortly be introducing the Brunswick Automatic Pinsetter in sizable volume. The national interest in bowling is at an all-time high —stimulated, perhaps, largely by the interest created by bowling on TV. We look forward with confidence to a large sales volume of bowling equipment and supplies which, of course, will be augmented by the sale of the Bruswick Automatic Pinsetter.

The best that can be said about the billiard business is that it is static. We do not anticipate any marked alteration in our volume in the Billiard Division.

It is common knowledge that education is perhaps one of the larger "industries" in America. The requirements for trained teachers, school buildings, classroom or pupil seating, as well as gymnasium equipment are enormous. As a result, with the continued growth in the educational field, the requirements for our products, which we feel best meet the needs for pupil seating and classroom use, it is only natural to conclude that 1956 will result in our obtaining a much larger volume of business of school furniture, cabinets, and gymnaisum equipment.

Our Defense business will probably be approximately

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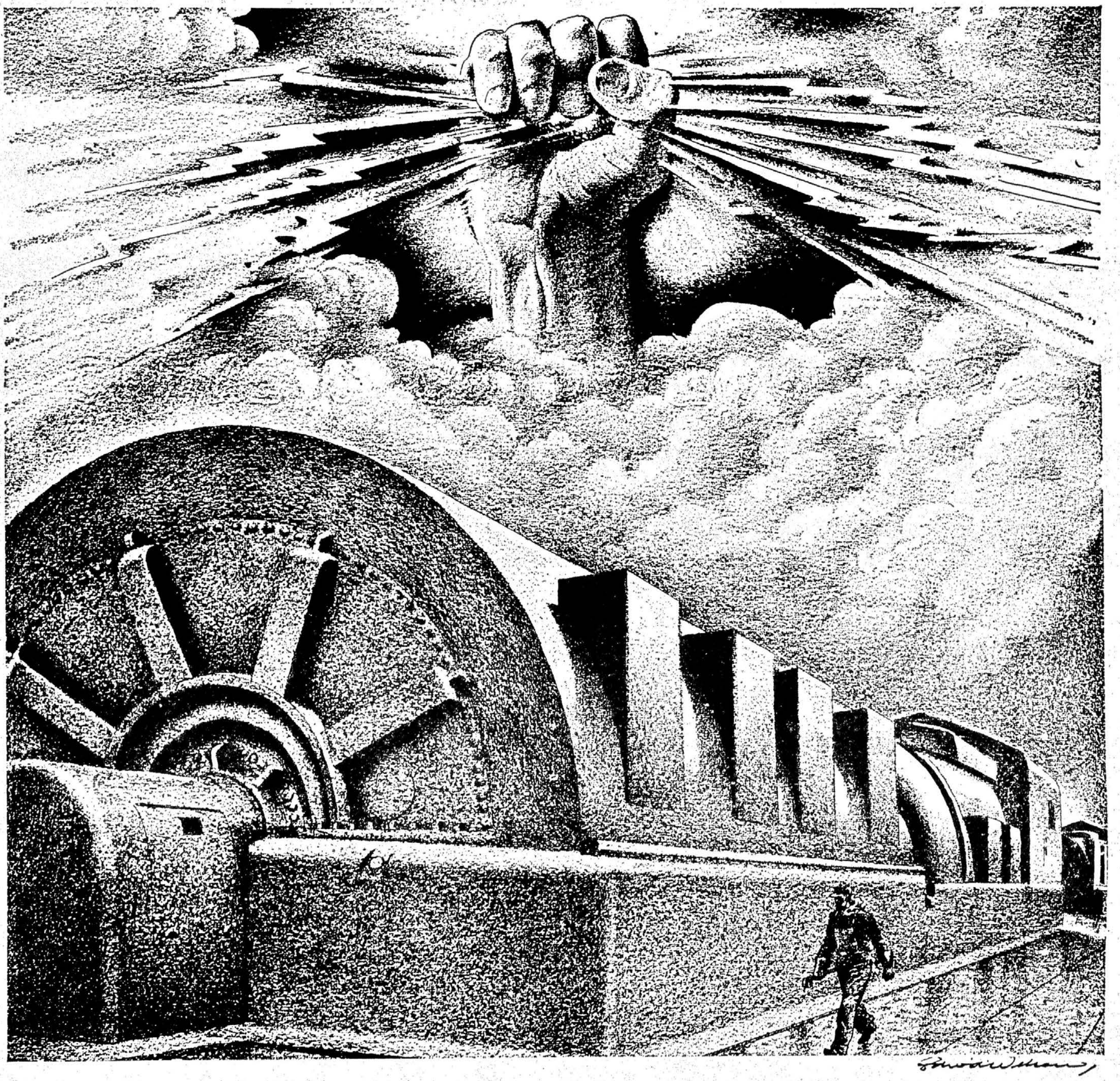

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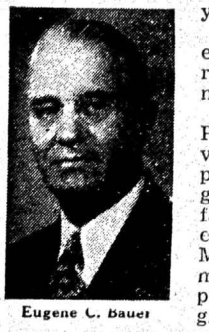
on the same level in 1956 as in 1955. Our company is recognized as one of the national leaders and one of the best qualified concerns in plastics (fiberglass), covering such items as radomes, fin, wing, and rubber tips as well as component parts for guided missiles for the aircraft industry. We likewise have the facilities to make component parts for air frames.

In summation, with the trend toward more leisure time and a shorter work week in 1956, with a high level of employment, in my judgment our particular industry should fare better than the national average. Barring any drastic change in the national economy or any international crisis, we look forward with confidence to 1956, with the assurance that we will enjoy an increase in business in all the major divisions of our company.

EUGENE C. BAUER

President, Poor & Company

With yesteryear closed practically all segments of the economy are at current capacity, with the urge for even greater production during the year ahead.



Eugene C. Bauer

On the assumption that rail deliveries will fulfill the demands of the railroads, our railway supply business will be excellent.

The highly publicized Highway Program in prospect will effect us very favorably from various standpoints. Our subsidiary, Pioneer Engineering Works, not only manufactures road construction machinery, such as Bituminous Asphalt Mixers and Pavers, besides equipment for aggregate and cement plants. The road construction program is also of great importance to our subsidiary, Kensington Steel Co., in the supplying of manganese steel repairs for various equipment.

We are very hopeful for the coming year.

M. S. BERINGER

President, The British American Oil Company Limited, Toronto, Canada

The year 1956 should again see Canada's economy setting new records. The general level of prosperity will again be influenced by the expansive forces which have been the dominant characteristic of the business scene for several years. The momentum of 1955, which probably will see the Gross National Product exceed $26 billion, should carry well into 1956.

M. S. Beringer

Once again the petroleum industry is a notable indicator of the nation's economic strength, and the year 1955 has shown brighter prospects than ever for the industry. New records were established in well footage drilled, crude oil production and refining throughputs. An estimated half-a-billion dollars was invested in the industry, of which nearly $400 million—or more than $1 million a day—was spent on exploration and production activities. Approximately half a billion barrels were added to reserves, bringing the estimated crude oil reserves to a total of three billion barrels.

The upward swing in the petroleum industry is expected to continue throughout 1956. The growth in consumption will be about 7 to 9%. The increase in domestic demand will naturally absorb more of our crude oil production but the most promising area for expansion is export to the United States.

Canada is currently producing and marketing over 340,000 barrels of crude daily. Export to the United States is running about 70,000 barrels daily, which is nearly double the quantity reported earlier in the year. The Pacific Northwest and Minneapolis-Lakehead are especially promising markets for Canadian crude. The building of substantial foreign markets is a long-range project, but increase in exports to the U. S. in 1955 and the prospects of further increases in 1956 is encouraging evidence that progress is being made.

Keeping pace with the increase in Canadian motor car registrations (a 7% increase is predicted for 1956) and the industrial demands for oil products, Canada's refining facilities will be expanded from 585,000 barrels per day to over 630,000 barrels per day by the end of 1956. Chief feature of this expansion program will be the emphasis on catalytic refining capacity. The present catalytic refining capacity of 36,000 barrels a day is expected to be doubled in 1956.

The prospects for the natural gas industry brightened during 1955. The Trans-Canada project appeared to be nearing a workable soluation with a Crown company building the Manitoba-Ontario stretch of the line. The Westcoast project for Peace River gas marketing was approved by the U. S. Federal Power Commission. A similar favorable decision in 1956 for the export-import provisions in the Trans-Canada program could usher the Canadian natural gas industry into a new era of development.

CARL A. BIMSON

President, Valley National Bank, Phoenix, Ariz.

On the premise that the whole is equal to the sum of all its parts, I am pleased to report to you on one of the parts, namely, the banking outlook in this section of the country. Arizona has just concluded the most prosperous year in its history. New records have been established by practically all segments of the economy except agriculture. We are entering 1956 with more momentum and more new developments in process than any year within my recollection. Good business seems assured, at least for the early months of the year.

Carl A. Bimson

What happens thereafter may depend somewhat on national trends but we expect that immigration of new people and new industries will continue at approximately the level of recent years. In the ten years since the end of World War II, Arizona has been the fastest growing state in the nation. This is due in part to its geographical location in the most dynamic section of the country.

Our most spectacular gains at the moment are in manufacturing, copper mining and military aviation. Manufacturing employment has increased 13% in the past year and more than 100% over the past five years, much of the increase being in aircraft, electronics and related industries. Our copper mines produced over $340 million worth of this important metal last year, nearly 50% of the domestic output of the United States. Construction of new factories, smelters, utility power plants, etc., as well as homes, shopping centers and tourist facilities have kept the building industry busy.

All of these things add up to a high rate of activity in the banking business. Demand for loans of all kinds was very strong throughout 1955 and it looks now as though the same situation would prevail throughout most of 1956. With interest rates firming and with our loan portfolio at its all-time peak, the outlook of bank earnings this year appears to be excellent. The number of banking offices in Arizona has doubled since the war and continued growth is expected.

ESKIL I. BJORK

President, The Peoples Gas Light & Coke Co.

Further expansion of our fully-integrated system's utility plant and service, to enable us to supply the rising need for natural gas in the vast Chicago region market, is one of our main objectives for 1956 and the near future. In common with other major companies in America's gas utilities industry today, we are carrying out a continuing program of expansion because of the increasing demand for our product and services by residential, commercial, and industrial customers of the gas utilities in the six-state market of almost 7,000,000 population whose natural gas supply is provided by either Texas-Illinois Natural Gas Company or Natural Gas Pipeline Company, subsidiaries of Peoples Gas.

Eskil I. Bjork

The extent of our expansion program in recent years can be measured by the consolidated balance sheets of The Peoples Gas Light and Coke Company and its six subsidiary companies. Total assets increased from $396,000,000 at Dec. 31, 1950, to $626,000,000 last Oct. 31, and in the same period total property increased from $342,000,000 to $555,000,000.

Annual consolidated gas sales revenue is now more than double the 1951 figure of $70,000,000.

A significant increase has been effected in the natural gas delivery capacity of the Peoples Gas system—from 522 million cubic feet daily in 1951, and prior to Dec. 1 of that year, to more than one billion cubic feet transmitted daily by our present three long distance pipelines.

It is estimated that Peoples Gas and subsidiary companies, subject in some instances to regulatory commission approval, will expend about $60,000,000 on expansion projects during 1956, with some $12,000,000 scheduled to be spent by Peoples Gas in new and improved facilities for Chicago Gas customers.

A new high level of peak day delivery capacity for the system, amounting to 1.471 billion cubic feet of natural gas, is expected for the 1956-57 heating season upon completion of the $7,500,000 expansion project for the underground natural gas storage field at Herscher, Ill.

The storage field is to have a peak day deliverability of 430 million cubic feet of gas for the 1956-57 heating season, almost three times its daily deliverability when commercial operation began in 1953.

Expansion of the field made it possible for Peoples Gas and other gas utility customers of the storage company to authorize the attachment of 100,000 house heating customers since last Aug. 15 when the Federal Power Commission approved the project.

Among other system-wide construction projects planned, Natural Gas Pipeline Company of America has asked for authority to build 350 miles of pipeline from its Fritch, Texas, terminal in the Texas Panhandle to gain access to new long-term gas reserves under contract in Jack and Wise counties, Texas. If Federal Power Commission approval is received, construction on the $32,000,000 project will begin as soon as the necessary materials can be obtained.

Other additions to and improvements of pipeline facilities to be constructed during 1956 will cost approximately $15,000,000.

W. C. BOWMAN

Chairman, The First National Bank of Montgomery, Ala.

We are just concluding a most satisfactory year in all types of business enterprises in this section. Our crops were the best that we have had in many years and our many small industries and manufacturing plants have been in full operation. Fortunately we are well balanced between agriculture and industry, both of which are supplemented by substantial payrolls from State and Governmental agencies. Maxwell Air Force Base, which is the home of the Air University, has made capital investments during the past year and maintains a very substantial payroll, which greatly benefits our community.

W. C. Bowman

My thinking, no doubt, is in accord with others throughout the country to the effect we must approach the new year with caution and with the realization that conditions will perhaps not be as rosy as they were in 1955 and that this is a time for caution and conservatism. Aside from the apparent over-extension of consumer credit, our citizens are in good financial condition and are in position to withstand some recession without serious results. In the main, I feel that our community is in sound condition and prepared to meet any emergency which may arise.

THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

The Bank of Virginia ended 1955 with the highest operating profit and the highest net available earnings in its 33-year history.

Resources of the bank increased by $3,080,247 in the year, for a total of $113,954,734 on Dec. 31. Deposits gained $2,273,739 for a total of $103,118,218 at year-end. Total capital accounts at Dec. 31 were $7,760,240, including retained earnings of $249,901, after the payment of $360,000 in dividends.

Thomas C. Boushall

The bank's operating income amounted to $5,947,168, or $665,957 over Dec. 31, 1954. Net operating profit was $660,155, or $135,513 over the previous year. Net available earnings were $609,901, or $6,311 increase. Net operating profit per share on the bank's 360,000 shares of stock amounted to $1.83 compared to $1.46 in 1954. Net available earnings were $1.69 per share, compared to $1.68 for the previous year. Dividends of $1 per share, or a total of $360,000, were paid in 1955.

Rising credit demands were reflected in loan totals, which in turn increased total operating income. Loan outstandings on Dec. 31, last, were $59,945,225, a gain of $4,753,644 over that of Dec. 31, 1954. Repayments to the bank each month total approximately $10 million.

Credit Warning

The greatest danger we face is an over-availability of money for goods and services beyond their current production, which historically inflates the price structure. Voluntary restraint by the banks and all credit-granting agencies can help hold this unhappy force in leash.

Should this voluntary effort at self-preservation not develop and hold the economy to a sound, safe level of growth of around three to four percent over 1955, it is obvious that the Federal Government will take further restrictive and restraining steps.

In the deposit picture, the bank ended the year with $55,258,474 in time deposits, represented by 56,233 savings accounts exclusive of 27,971 Christmas and Vacation Club accounts. Demand deposits of $47,859,744 were represented by 57,989 accounts. Total accounts of all kinds being served by the bank at year-end were 238,999 compared to 232,788 at the end of the previous year.

In the bank's operating expenses the highest item was $2,303,853 for salaries and staff benefits. The second was $831,759 for interest paid on time deposits. Federal income taxes on operating profit amounted to $521.279. Other taxes were $152,219. Deposit insurance cost $37,582.

Growth Forecast for Virginia

Virginia and the entire South have the promise of great growth in the future. Presently the region holds one-third of the nation's chemical industry and indications are that it will have one-half of that industry in the next 10 years. Total personal income in continental United States has gained 233% in the 1929-1954 period and in Virginia the gain has been 400%.

In "prudent provision" for keeping step with the new economic horizons in the South, the Bank has made important additions to bank building quarters and equipment in 1955. A handsome new bank home at 600 Washington Street in Portsmouth was opened on July 11. Additions were completed at the bank's 2900 West Broad Street office in Richmond, and a program to enlarge and improve the 21st and Granby Streets office in Norfolk.

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Curtice Urges Relaxation of Credit Curbs

President Harlow H. Curtice of General Motors said on Jan. 17 that automotive credit is in a healthy condition and expressed the hope that the Federal Reserve System will relax its "present restrictive policy" on consumer borrowing.

Harlow H. Curtice

He also expressed the hope that President Eisenhower will decide to seek re-election to preserve the "new feeling of confidence" which the President's Administration has inspired throughout America and the free world.

Referring to one of the top "Motorama" attractions, GM's new gas turbine-powered Firebird II, Mr. Curtice predicted that although this family-type experimental car is not ready for commercial production, it or something very similar "may be in very general use" in 10 years.

He said the attention being given to automotive credit represents "too much concern about a very normal situation which has accompanied the growth in our population, the growth in disposable income, and the growth in consumer purchasing."

"I think it is a pretty delicate subject for any group of men to endeavor to tamper with," he said.

Mr. Curtice said down payments on new cars have continued to average 40% of the purchase price; the average installment remains at $80; and this installment now represents 17% of the average household income, compared to 21% a few years ago.

Statistics of General Motors Acceptance Corp. indicate, he said, that automotive credit terms have lengthened only to 28 months compared to 24½ months a year and a half ago—a "very negligible extension in the time."

"Consumer credit has made and will continue to make a very great contribution to a continuing and improving level of our standard of living," he said.

"I regret very much," he added, "that the present restrictive policy is in effect and sincerely hope that those who are responsible for it will change back to a normal situation, making the credit free and available."

Mr. Curtice also said:

(1) That the excise tax on automobiles should be removed. "It was put on as an emergency tax a long time ago, and it should be removed," he said. "Automobiles are no longer considered a luxury. They are an absolute necessity."

(2) Disclosed that the record $1 billion in capital expenditures planned by GM in 1956 will include $250 million for new projects not previously announced. He said "almost all" of the expenditures will be for expansion of GM's automotive divisions and estimated their productive capacity will be increased by about 10%.

(3) General Motors has not forced its dealers to take more cars than they have ordered. "Our dealers have had a handsome year from a profit standpoint," Mr. Curtice added.

(4) GM plans no new financing at present.

(5) GM will not hold down its production to keep from winning a bigger share of the market. "I shall do everything possible to encourage our people to continue to make our products so outstanding in every respect that they will be accorded very favorable reactions by that most important person, the customer," he said.

(6) General Motors has no intention of adding a new line of automobiles, despite reports that other companies may do so. He said that "we will continue to grow from within."

(7) Explained that his previous estimate that the automotive industry will produce and the domestic market will absorb in 1956 a total of 7,500,000 cars and trucks included 6,500,000 passenger cars and 1,000,000 trucks. Including Canada and for export to other markets, he said, his estimates are 7,100,000 passenger cars and 1,250,000 trucks.

Mr. Curtice also said he believes fuel injection in automobile engines is "on its way," but declined to estimate when it will be commercially feasible; said horsepower increases have benefited customers by increasing the safety and "flexibility" of their cars; announced that the market outlook for Frigidaire products is "very good"; and expressed confidence that the petroleum industry will continue to improve the octane ratings of gasolines to keep pace with boosts in compression ratios of automotive engines.

He said it should be up to the "wisdom" of Congress to decide how to pay for an urgently needed national roadbuilding program.

Mr. Curtice warned automotive buyers not to base their decisions on whether to purchase 1956 models on reports of "revolutionary" 1957 models.

"In my judgment, the 1957 cars will again represent great progress, but on an evolutionary basis, and not revolutionary," he said.

Mr. Curtice's remarks on the Eisenhower Administration followed a question as to whether he would want to revise his prediction of continued prosperity in 1956—which he told GM's Luncheon for Business Leaders on Jan. 16 should be "another record year for business generally"—if the President does not seek a second term.

"I think the Eisenhower Administration has brought to the people of this country as well as the entire free world a new feeling of confidence," Mr. Curtice said.

"It is my hope that we can continue to enjoy that kind of leadership, and the only way we can have it, headed by that great man, is for him to be a candidate for re-election, and I sincerely hope he will be."

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Land was acquired to build a new bank building in Petersburg.

During 1955 permission was obtained from supervisory authorities for the bank to open three additional offices in Richmond: In the Village Shopping Center at Three Chopt and Patterson Avenue, which was opened on Jan. 6; at Staples Mill Road and on the Petersburg Pike, both of which are under construction for scheduled completion in 1956.

An important part of the bank's 1955 program for its personnel was the encouragement of attendance in courses offered by the American Institute of Banking and other educational institutions. A total of $14,582 was spent in education costs. The bank made cash awards of $25 each to 164 people in Perfect Attendance Awards. Ten staff members won awards for the seventh consecutive year.

Another good year in 1956 seems well assured based on such factors as a $30 billion capital outlay by business, the traditional advocating of an expanding economy in an election year and continued defense expenditures before the "fading Spirit-of-Geneva."

LYMAN B. BRAINERD

President, The Hartford Steam Boiler Inspection and Insurance Company

For the companies engaged in the underwriting of boiler and machinery insurance, the year now starting should be a good one. As a backlog they will have available for renewal many of the policies put on their books during 1953, the second largest writing year in the history of the line, and, in addition, they should find additional sales opportunities growing out of the present active rate of industrial production. Opportunities for boiler and machinery insurance underwriting follow quite closely the prevailing state of business generally. As there have been few signs of any major slack-off in business, there seems to be good reason for expecting that the volume of boiler and machinery premiums to be written in 1956 will run substantially ahead of the good volume written in 1955.

Lyman B. Brainerd

Due to a period of power equipment shortages and rising costs, the companies went through several years in the last decade in which both accident frequency and average cost per loss climbed. Accident frequency seems to have pretty well leveled off but cost per loss still continues to climb. This is doubtless due at least partly to the higher limits now generally carried to care for the increasing exposures represented by equipment that is becoming ever larger both in capacities and values.

However, this same increase in the size and capacities of equipment points up even more emphatically the need on the part of owners and operators for the type of engineering inspections that are an accompaniment of boiler and machinery insurance. There is no doubt that these conditions create exposures to what, for want of a better term, may be described as losses of the "jumbo" size. Thus the engineering departments of the insurance companies are constantly at work developing inspection techniques aimed at preventing such accidents. They are having to deal, too, with equipment and processes which, particularly in the chemical and petrochemical industries, are much more complicated than ever before. Then, too, companies recognize that eventually they will be called on to insure and inspect power equipment depending upon atomic fuel. To that end they are studying the subject through committees of their various associations.

It can be said that in 1956 the outlook is for continued growth of boiler and machinery insurance. Recent improvements in coverage are such that the companies are better than ever able to meet the needs of insurance buyers by providing policies hand-tailored to cover even the most complicated of exposures. All in all, it should be a satisfactory year for this part of the insurance industry.

CARL D. BROREIN

President and General Manager, Peninsular Telephone Company

The growth and development of Florida is continuing on a sound basis. There is every indication that the current winter and spring season will set new records in tourist patronage, population growth, industrial expansion and agricultural production. Our economy, in a measure, reflects the economic progress of the country as a whole and we look forward to a year of continued progress, sound economic and population growth and continued expansion of industry, as well as prosperity and progress in agricultural lines, particularly citrus.

Carl D. Brorein

In our particular field of telephone communication we expect a full year of the growth and expansion trends which have set new records and been continuous over the past ten years.

JOHN T. BROWN

President, J. I. Case Company

Any attempt accurately to appraise the coming year with respect to the farm machinery industry is always hazardous, and at this time it seems to be more hazardous than usual. Prices of many farm products are lower than they have been in several years. While domestic markets are excellent, foreign demand is less than it was some years ago. Farm production in 1955 broke even the 1948 record, so large surpluses of wheat, corn, cotton and rise are overhanging the market and consequently depressing prices.

John T. Brown

Farm machinery is the best known tool available to help the farmer increase his output per man and at the same time reduce his cost of production. It is only through reduced cost of production that the farmer has an opportnuity to operate profitably on the lower prices which he is now receiving. A big factor in cost of production is the cost of farm labor which is not only scarce but expensive, with efficient farm help difficult to find. Of all the items which go into the farmer's cost of production, farm labor has gone up the highest; farm machinery costs among the least; with carefully selected farm machinery he can substantially reduce his farm labor costs.

Such statistics as are available would seem to indicate that farmers have not replaced their old machinery nor purchased as much new machinery as would be in their own best interests. The many new and improved types of machinery to be available in 1956 are more efficient than a large percentage of the machines now in use. The new designs will do better work at less cost. At the same time the farmer will find it easier to carry on his operations.

Competition will be extremely keen at both the manufacturing and retail levels. The stmulus of new products plus more aggressive sales and merchandising programs could offset the unfavorable factors in the agricultural economy. It should not be overlooked that 45% of the farmers produce 90% of the farm products sold. A large percentage of the farmers in these groups not only need the very latest farm machinery, but most of them are in a position to buy what they require to conduct their operations at the highest level of efficiency.

The number of farms is decreasing. The size of farms is increasing, then with farm help scarce and expensive, as previously mentioned, farm operators will find it definitely worthwhile to purchase the equipment which will make it possible for them to carry on their operations easier, better and at lower cost.

As is always true in the agricultural machinery business, weather conditions during the growing and harvesting season can have an important influence on results. There is no known way to predict what nature will do in this respect.

MILTON BROWN

President, Mercantile National Bank At Dallas, Texas

The year 1955 closes with the economy operating at record levels. The favorable showing of all indexes and the confident nature of business sentiment assures a continued record volume of industrial production, at least during the first half of 1956. Of particular significance in appraising the immediate future outlook is the confidence with which future planning and forward commitment are entered including inventory and capital outlays for distributive and productive facilities. While no early slackening is in prospect, the rate of climb in industrial production has perhaps leveled out somewhat. The possibility of some cut-back in housing and automobile production seems more probable than a further increase. Moreover, conditions in the Southwest will be adversely affected by the unfavorable position of agriculture and livestock. Business and manufacturing inventories have shown increasing tendencies throughout the year but based on current level of sales no unhealthy position is indicated.

Milton Brown

The economy of the Southwest is typified by a high rate of activity in all phases of the petroleum and chemical industry. Heavy demand for products has stimulated the drilling of new wells and high output of refineries. Well completions during 1955 have exceeded the preceding year by approximately 25% with every indication that this level will be maintained in the new year. The expansion and modernization of plant facilities long under way will be continued during 1956 on an increased scale.

The outlook for agriculture throughout the nation is unfavorable. All of the available data, including the "parity ratio," are clearly indicative of a major readjustment taking place including a shrinkage in farm population. In the Southwest the agricultural prospect is less favorable than elsewhere because of a continued deficiency of rainfall—1955 was the driest year on record in certain sections of the area.

Banking in the Southwest has completed its most profitable year. Loan demand continues strong with rates showing a tendency toward firmness. A large volume of Commodity Credit Corporation guaranteed paper is held by banks throughout this area. The upward adjustment of rates on this paper and its availability has resulted in this non-risk asset being used as a primary reserve investment in substantial degree. While loans have increased substantially during the last 12 months, yet banks in this region are in position to adequately provide for the expanding economy of this region.

The future of money rates is necessarily dependent upon open market and discount policies of the Federal Reserve System and the Treasury. Assuming that inflationary pressures continue to be held in check, there appears no justification for higher interest rates in the immediate future. On the other hand, the tendency for bank credit to continue to increase, particularly in loans of commercial, industrial, and consumer categories, would seem to preclude hope of an early reduction in interest rates.

In addition to certain disconcerting elements in a generally favorable business picture, it seems prudent for businessmen to be prepared for the possibility that confidence may be influenced considerably by the course of politics during 1956.

R. R. BRUBACHER

President, The Toy National Bank and the Farmers Loan & Trust Co., Sioux City, Iowa

The Sioux City territory experienced a drought during the past season resulting in a smaller corn crop than usual and business is feeling the impact somewhat, both on account of the short corn crop and also due to the lower prices being paid for finished livestock, particularly hogs.

R. R. Brubacher

The result has been that the volume of retail business in the Sioux City metropolitan area for 1955 is below that of 1954 and materially below that of 1953.

The year 1955 was very dry and just what effect that will have on the crops in 1956 remains to be seen, as we will be entering the 1956 crop season with a deficiency of soil moisture, unless weather conditions materially change.

Sioux City and its territory are not particularly dependent upon industrial activity, but are dependent principally upon the prosperity of the farmer. We do not feel that conditions are at all critical, but we are surely hoping for better prices for livestock and grain and for sufficient moisture during 1956 so that normal crops may be raised.

E. F. BULLARD

President, Stanolind Oil and Gas Company

Aside from a crucial legislative fight in the Senate, the oil and gas producing industry can look forward confidently to another record year in 1956.

Increased consumer demand of about 4% for petroleum products will be reflected in higher demand for domestic crude oil of approximately 3.4%. Thus, daily average production of crude oil and natural gas liquids in 1956 should approximate 7.8 million barrels, as compared with 7.5 million barrels daily in 1955. Marketed natural gas production should be up about 5% over the 1955 annual total of about 9.3 trillion cubic feet.

E. F. Bullard

Amid all this optimism, however, there is a disturbing note, relative to existing direct Federal controls over the production and gathering of natural gas. The year 1955 was the first full year of operation under the utility-type controls imposed by the Federal Power Commission subsequent to the U. S. Supreme Court's decision in the Phillips case on June 7, 1954. The year's results bear out earlier predictions that Federal utility-type controls would have a depressing effect on the industry's operations: gas well completions in 1955 were down 9% from 1954; new commitments of gas reserves to interstate pipelines, which dropped some 65% between 1953 and 1954, were even lower in 1955.

These statistics are alarming to most persons who are concerned about adequate supplies of natural gas for the future. Expansion of existing gas markets and development of new ones are contingent upon the industry's continuing ability to find and develop new reserves of gas faster than existing ones are used up. It is obvious that direct Federal controls on the gas-producing industry are not conducive to exploration and development.

Of even greater concern, however, is the possibility that unless corrective legislation is passed and signed, the same Federal controls will be extended to crude oil production, with inevitably the same stifling results. Since much gas—now being controlled—is produced with oil, it is difficult to see how a regulating agency could enforce price and production controls on one commodity without also bringing into the "control circle" all other commodities produced along with it. Going a step further, once oil and gas were both controlled, it would seem inequitable to leave their principal competitors—coal and electricity—free and unregulated. It takes no great stretch of the imagination to foresee an ever-widening control pattern that ultimately would engulf the entire economy.

The existing situation and its potentialities represent a serious threat to our traditional free enterprise concepts. Apart from this consideration, however, it seems hardly consistent with the national security effort to impose regulations that serve only as deterrents to the development of such vital natural resources as natural gas and crude oil.

These are the elements the Senate must consider as it debates the Harris-Fulbright legislation in the present session of the 84th Congress. The House passed the Harris bill in the closing days of the first session: however, Congress adjourned before Senate action could be taken on the companion Fulbright bill. The Senate Commerce Committee favorably reported the Fulbright bill by an overwhelming 11-4 vote.

It is unfortunate that the issues in the case are being clouded by the fantastic claims of the bill's opponents. The opposition is being led by a group of Eastern gas-distributing utilities, whose position on the legislation would seem completely inconsistent with their dependence for long-range expansion upon adequate and increasing supplies of natural gas. It should be noted that the same utilities were strongly in favor of the Hinshaw bill—passed by the 83rd Congress—which removed local distributing utilities from the threat of Federal regulation. This is precisely what the Harris-Fulbright legislation would accomplish for the producers; yet the distributing utilities strongly oppose it.

While the natural gas control problem is the most critical one facing the industry in 1956, the question of the tremendous domestic reserve producing capacity, with its inherent financial burden, still looms large. Imports of foreign crude and products have a direct bearing on this situation. It is to be hoped that in 1956 importing companies will heed Defense Mobilizer Fleming's recent recommendations to hold imports to the proportionate levels attained in 1954. These recommendations were based on the policy laid down by the President's Advisory Committee on Energy Supplies and Resources. Failure to do so might well result in the establishment of government quotas and other controls, thus giving the government another toe-hold in the fight being pressed by some for the complete government domination of the oil and gas industry.

PETER I. BUKOWSKI

President, The Cosmopolitan National Bank of Chicago, Ill.

For the banking industry, 1956 should be a good year. Deposits will show moderate to substantial increases; interest rates will remain at their present levels, or very close thereto. Money demand will be brisk and opportunities for satisfactory employment of credit will be plentiful.

Peter I. Bukowski

For general business, there will be a spill-over into 1956 of the high level of business activity which characterized 1955. However, consumer demand will be softer. I look for a gradual slide in production levels and in capital expenditures. Management, sensitively attuned to impending changes in business tempo, will reflect more caution in operating policies.

Employment will show 5% to 7% contraction. This should have no serious effect on sales volume, but may well be the beginning of a slow-up of the spending spree that has been a part of our national picture in recent years.

Politics will be an important element in 1956. More regulation and more tinkering with the laws of supply and demand may be anticipated. Party issues and claims and counter-claims assure the eventual invasion of the political field by organized labor as an organized political party.

The nation will need the highest order of statesmanship in industry and commerce, as well as in the fields of diplomacy and government.

JOHN J. BURKE

President, Metals Bank & Trust Co., Butte, Mont.
President, Montana Bankers Association

Crops harvested in Montana during 1955—just over 8½ million tons—were valued at $338 million. This compares with $295 million in 1954 and the 1944-1953 average of $225 million. Despite an early and long winter now in existence, it is expected that the feed situation will be adequate. The prices for livestock are the lowest in many years and it is hoped that a plan will be developed this year that will keep the purchasing power of agriculture and livestock on a comparable basis with other segments of our economy—they are a most vital part of it. Notwithstanding their many problems, the general outlook is good.

With a heavy demand for metals, coupled with high wages and employment, the outlook in the mining industry is good. Lumbering and other industries in the state are being maintained at a very good rate and the prospects for 1956 are good. The development of oil and gas in Montana and adjacent territory has been spectacular, and the state is looming up as a substantial producer.

With a steady increase in population, our economy will require more goods, more services, more housing, more schools and more power. Tax-paying utilities, in particular, are cognizant of the situation and are making provisions to meet the increased demand by the development of sites and the construction of power facilities.

Our state, third largest in the Union, with an area of 147,138 square miles, contains a population of 650,000, while Japan, with approximately the same area, has a population of more than 70 million. Montana has a greater are than that of nine of our eastern states and the District of Columbia, with a population of more than 42 million. With great natural resources and plenty of room, this state and the Northwest are in for a period of development and our outlook is optimistic over the long run.

1955 retail volume was good and, while the first quarter may be down, generally it is felt there will be a pickup in the second quarter, continuing through 1956, unless a major political development would occur that would change it.

Bank deposits and loans are at their highest levels and loan demand continues strong, particularly for housing. Banks had a good year and prospects for the year ahead are good.

Notwithstanding 1956 being an election year, the general outlook appears good. A tax reduction and stabilization of livestock and farm prices would do much to strengthen the economy.

G. B. BURRUS

President, Peoples Drug Stores, Incorporated
President, National Association of Chain Drug Stores

During the year 1955, sales increased approximately 5%. A large share of this increase came from new locations and enlarged stores.

Inventories reached a new high due to the new and enlarged stores—as well as the introduction of new products and the duplication of existing items by the manufacturers . . . especially Pharmaceutical manufacturers.

G. B. Burrus

The cost of doing business has continued to rise—mostly because of the shortening of Store Employees' Work Week and the increased cost of Employee Benefits.

The extensive expansion program of new and larger stores—principally in newly developed shopping centers—will produce added sales in 1956. Present stores in older locations will be affected as more stores open in shopping centers; but as business conditions improve, it is felt that the older stores can maintain their present volume of sales.

Greater competition for the consumer's dollar will have the effect of keeping retail prices at a low level —with smaller profits from each sale. The cost of doing business is expected to continue to rise, and it is a question as to whether sales will rise sufficiently to offset increased expenses.

Because of the accelerated Federal Income Tax payments and the capital expenditures required for the expansion program—there will be a need for larger amounts of cash for working capital.

As the population continues to move and shopping centers continue to develop in a given area, the selection of profitable locations becomes increasingly hazardous.

Self-service, aggressive mechandising, simplified operations and improved service to the customers appear to be the answer to successful operation in the future.

JOHN W. CARPENTER

Chairman, Southland Life Insurance Company, Dallas, Texas

I believe that if anyone would stand back, so to speak, and take a good long look at these United States, its resources, its people and what they are doing, that they would have to face the future, whatever it may be, with real confidence. I cannot see how any other conclusion would be possible. The future, if that includes every facet of our nation's economy and welfare, would be difficult to predict, even for a year. None of us, in business or otherwise, make our plans only for the year ahead. The over-all long future of this nation, its business and people is, to me, what is important. Fortunately we can most definitely envision that future, and make our plans accordingly.

John W. Carpenter

We have just ended the greatest business year in the history of this country, and it is only natural that we should wonder how 1956 will compare with 1955. Statistics are available for our study; many opinions by the finest business talent in the country are also available to us. The general concensus is one of optimism, and in my opinion it is warranted. That does not mean that there will be no difficulties. There will be. Business will continue to be good, but there will be ups and downs in the whole economy, and in individual industries and businesses. We can't always have a better year than the last one, **but** we can always have better and better years in the future, and we shall. This nation is advancing, growing, learning more every year, profiting by its past mistakes, and this will continue to be the case. Most of us desire to go forward, not stand still, and to do that our attitude must be optimistic, our plans ever bigger. Any real concern of the future results in a "wait and see" outlook, and at least temporarily halts the move forward. I would rather look to the future with confidence and be wrong, than to view it with apprehension and be right — for what have I really gained in the latter case?

I am particularly fortunate to be connected with a growing company, in a growing industry, operating in outstanding growth areas of this country. The Southland Life Insurance Company, just 47 years old, with assets of approximately $184,000,000, recently passed a landmark in its growth, $1 billion of insurance in force. Dallas, Texas, where our home office is located, for the year, 1955, ranked No. 4 among American cities in dollar value of building permits issued—being exceeded only by New York, Los Angeles and Chicago. We're going places—and we're just starting!

My thoughts on the future are best summed up by recent announcements in the papers. Southland Life started construction Dec. 31, 1955, in downtown Dallas, of Southland Center, covering an entire city block. Initially, the Center will contain a 42-story home office building for Southland Life, and a 28-story, 600-room luxury hotel, the Sheraton Dallas, to be operated by the Sheraton Corporation of America. The project is designed so that another 36-story office tower can be added in the future. The entire program calls for the ultimate of quality, design and construction. When complete, this will be the most modern building facility in the country.

That is what I think of the future.

GARDNER A. CAVERLY

President, Rutland Railway Corporation

Regarding our opinions in the railroad field for 1956, I would say that transportation in general, and the railroad industry in particular, looks to 1956 as a year of decision. This railroad industry of ours, that has done so much to promote the growth and the welfare of our country, continues even today under the strangling effects of outmoded, antiquated horse-and- buggy legislation, laid down more than half a century ago while the railroads had a virtual monopoly on the transportation scene. It is our hope that favorable legislation may be passed in 1956 that will, in turn, permit all railroads greater freedom of competition and greater freedom in pricing their services, so that we of the railroad industry may, in turn, more economically serve American industry, and at the same time build a sounder, stronger transportation industry that in time of national emergency will not be found wanting.

Gardner A. Caverly

The railroads have gone a long way toward putting their own house in order through dieselization, improved maintenance of way, improved communications, improved yard switching facilities, faster freight service and more luxurious passenger service. Today's railroad management gives ample evidence of a flexibility in thought and action that speaks well for their own bold approach to the problems confronting this industry. Everywhere, this evidence points up the desire and the intent of railroad management to find better ways to do a better job more economically, and, therefore, at a greater saving to the shipping public.

During the past year, it is estimated that the Class I Railroads throughout the country will show a net profit in excess of $900 million—an all-time record.

No crystal ball is available to us for 1956, but indications are that the first six months may surpass the first six months of last year. There is, however, apparently less optimism with regard to the last six months of 1956. Too, the railroads continue to be faced with the ever spiraling wage costs that might well cut the final 1956 net profit well below that of 1955, when it is estimated that the railroads earned a rate of return of some 4.2%, substantially lower than that of many other industries.

That railroads be kept abreast of modern developments, it will likewise be necessary for them to continue their very substantial investment in new and more modern equipment, including box cars and yard facilities. Financially speaking, it will take good planning on the part of an alert railroad management to keep our industry on an even keel.

BERNARD A. CHAPMAN

Vice-President and General Manager, Kelvinator Division, American Motors Corp.

More major electric appliances will be sold in 1956 than in any previous year, and 1957 will be even better.

Final 1955 figures look better than anyone anticipated.

The 1956 model year is starting strongly, and although it should taper down to 1955 levels about mid-year, the long-run trend will be up from 1957 on.

B. A. Chapman

Estimates, based on industry sources, are that 15,755,000 of the so-called "major" appliances (refrigerators, freezers, rangers, home laundry equipment, water heaters, room air conditioners) will be sold in 1956, for a 6% increase over 1955's estimated total of 14,830,000 units. Sales in 1950, the best previous year, totalled some 15,111,000 major appliances.

Factors favoring a long-term increase in the appliance business are the obvious basic ones of increasing population, rising rate of family formations and births, heavy capital spending for expansion

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by industry, and sustained high level of disposable consumer income.

For 1956 as always there will be some trouble-spots, but the general picture is good. Gross National Product is on the increase and we can look for continued government spending as a sustaining influence. Although the amount of installment credit outstanding indicates that more Americans extended themselves further in 1955 than ever before, it is not excessive in relation to disposable income.

The chief impact of the higher long-term credit situation will be on the automoblie industry, since many every-year traders may have to hang on to their new cars for an additional year. Consumer spending on cars will drop in 1956, but more money will be available for appliances and other durable goods. Soft goods and services will also attract a higher proportion of the consumer's dollar.

Job stability, more working wives and generally higher salaries will all contribute to greater spendable income in 1956. While repayment of installment debt, savings, and increases in the cost of living will absorb some of the additional income, there will still be ample left for increased consumption expenditures.

Home laundry equipment as a group will lead all other appliances in 1956, although among individual products refrigerators are expected to hold an edge over automatic washers, 4,300,000 units to 3,450,000 units. We estimate 1956 electric range sales, including built-in types, at 1,700,000; clothes dryers, 1,600,000; room air conditioners, 1,450,000; freezers, 1,175,000; conventional (wringer-type) washers, 1,100,000; water heaters, 900,000, and ironers, 80,000.

The growth of automatic home laundry equipment over the past five years is reflected in the fact that automatic washers accounted for only 1,646,000 sales in 1950, the industry's best previous year, while conventional washers totalled 2,626,000 units. Clothes dryers in 1950 only accounted for 319,000 sales, and room air conditioners, 201,000 sales.

GEORGE L. CLEMENTS

President, Jewel Tea Co., Inc.

Growth in the volume of food distributors is rooted solidly in expanding population, a rising standard of living rapid strides in the efficiency of farm production, processing and distribution, and the addition to basic food products of time-saving, economical "built-in maid services," to use the phrase coined in Jewel's 1953 annual report. At the same time the movement of population and the shift of tastes place a premium on flexibility of management. We believe that competition in 1956 will be keen, but that the factors enumerated above will continue to offer alert retailers the opportunity to expand both their sales and their profits.

George L. Clements

About one-quarter of a rising disposable personal income has been spent on food in recent years. I see no reason for expecting this to change. It is now expected that consumer income, after taxes, will average higher in 1956 than in 1955. While there may be some unsettlement in particular areas of the economy—such as in the automobile industry and residential construction—total consumer income after taxes should be well maintained. Accordingly, total sales volume of food retailers should continue to rise.

Adequate supplies of food are now looked for in 1956. These should match the expected strong demand, leaving food prices relatively attractive to consumers.

We in the food industry and consumers also owe a debt of gratitude to the farmers of the nation. They have shown courage and ingenuity in adopting new techniques of farming and have gone forward with extensive mechanization of their operations. As a result efficiency in farm production has increased more rapidly than in the economy generally, making it possible for farmers to sell more cheaply. Benefits to America's standard of living have been substantial.

Declining prices for farm products, based on rising farm production efficiency (and also in part on surpluses produced in prior years) have enabled consumers to purchase better and more expensive types of food, including a great deal more in the way of services in addition to the basic product supplied by the farmer. We can now afford to transport foods greater distances, with a resulting improvement in the variety of foods available throughout the year. We buy foods with more processing, in more nearly ready-to-serve form; the convenience foods with "built-in maid service" noted previously.

These trends toward more expensive foods have been reinforced by improvements in manufacturing and transportation, by increased efficiency in marketing, and by generally rising incomes. Rising incomes have also stimulated the flow of population to the suburbs and the almost universal adoption of the automobile as the principal means of transportation in suburban areas.

In 1956 we expect that rising incomes, low basic food costs, and a continued movement to the suburbs will increase the demand for retail food stores which offer parking lots, air conditioning, and a large amount of space devoted to facilities for handling frozen and other convenience foods. It is these factors which offer to food retailers in 1956 the opportunity to grow more rapidly than the economy as a whole, in volume and in profits.

JOHN S. COLEMAN

President, Birmingham Trust National Bank, Birmingham, Ala.

Bank earnings, loans and deposits in the Birmingham district were at new highs on the year-end. Retail sales were greater in volume than ever before and the percentage increase was substantially above the national average. Agricultural production in Alabama was at the highest level. This was due to favorable climate and rainfall in 1955. Although the acreage was curtailed, the estimate of cotton production in the state is 1,045,000 bales. The increased yield per acre is due to the selection of choice land for planting and the use of much fertilizer. The textile mills are experiencing a favorable upturn in demand and output. Many of them for the past three months have been on a three shift, six-day-a-week basis. Though a low profits margin to valume industry, earnings are better and at the end of the respective fiscal years which are usually in the summer, earnings should be more satisfactory than experienced in the past several years. The mills in Alabama consume substantially more cotton than the amount produced in the state.

John S. Coleman

Forestry products have for many years been one of the principal factors in the economy of Alabama. The coming in to the state of new kraft and newsprint paper plants and the expansion and capacity of existing ones, will mean the expenditure of many million dollars. Pine for these plants is plentiful and grows rapidly. Among the companies who have announced locations in the state or large increases in existing facilities are International Paper Company, Container Corporation of America, Gulf States Paper Corporation, National Gypsum Company, Coosa River Newsprint Company, Marathon Corporation, Scott Paper Company and F. C. Huyck and Sons.

In addition to steel and iron, the principal products manufactured in the Birmingham district are cast iron pressure pipe and cement. Steel is in very tight supply and this will continue for at least the next six months. The United States Pipe and Foundry Company has announced plans for the erection of a modern, 1,000-ton blast furnace. The backlog of orders for cast iron pipe and cement is in such volume that no reduced activity in these lines is looked for at any time in the foreseeable future.

Electric power consumption continues to mount and the Alabama Power Company has announced plans for future expansion of generating capacity by steam and hydroelectric plants involving the expenditure of very substantial amounts.

During 1954, the $20,000,000 Demopolis Lock and Dam, midway between Birmingham and Mobile, was completed. This is one of the improvements planned for the further development of the Warrior-Tombigbee Waterway. When these projects are finished, Birmingham will have greatly improved shipping facilities to and from the Gulf of Mexico through the Port of Mobile. Among other products coming to Birmingham by water is Venezuelan and other foreign ores.

It is felt that in 1956 there may be some reduction in sales of automobiles and in residential construction; however, this is not looked on as serious and the district as a whole looks with expectant hope to another fine year.

JOHN L. COLLYER, Chairman and W. S. RICHARDSON, President

The B. F. Goodrich Company

Production and sales of rubber products during the new year may approach levels nearly as high as those reached in 1955, record sales year in the history of the rubber manufacturing industry. The United States will consume about 1,465,000 long tons of new crude and man-made rubber in 1956, and at least 62% of the total will be American-made rubber. Ample supplies of American-made rubber will be available during 1956 to meet increasing demands for the material as production facilities are being expanded from coast to coast.

John L. Collyer

W. S. Richardson

Over-all industry tire sales in 1956 will total about 110,000,000 units, second only to the record of 113,000,000 set in 1955. The 100 million mark, reached for the first time in 1950, has since been exceeded only in 1953 and in 1955. Sales of replacement passenger car tires may be about 1,000,000 more than the 50,000,000 sold during 1955 while total passenger car tire sales, replacement plus original equipment, may decline to 90,000,000 from 1955's total of over 93,000,000 units.

Tubeless tires for passenger cars opened a new chapter in 1955 in a remarkable success story as car manufacturers adopted tubeless tires for standard equipment on new automobiles.

The decision of the automotive industry to use tubeless tires climaxed a pioneering campaign started by B. F. Goodrich in 1947 when the company announced the invention of the first tubeless passenger car tire. By contrast, about 60% of the nation's passenger car tire sales in 1955 were tubeless tires, a product entirely new only eight years ago.

Two additional patents, the seventh and eighth granted to The B. F. Goodrich Company covering basic features of tubeless tires, were issued to the company in 1955 by the U. S. Patent Office. We have expended more than $55,000,000 to date in the invention and development of tubeless tires.

Broadening its tubeless tire program in 1955, B. F. Goodrich introduced a new line of tubeless tires for trucks, and in September began shipping tubeless tires for first installation as original equipment on 1956 model trucks. A complete line of wide base, low-pressure tubeless off-the-road tires was also introduced last year and the company had earlier developed and introduced tubeless tires for aircraft and farm implements.

Large truck tires, until 1955, required tree rubber to assure acceptable performance, virtually the only type of tire in which available man-made rubbers have not been entirely satisfactory. Scientists of Goodrich-Gulf Chemicals, Inc., owned half by the Gulf Oil Corporation and half by The B. F. Goodrich Company, succeeded in reproducing the true molecule of tree rubber in 1954 in the B. F. Goodrich Research Center, Brecksville, Ohio.

During the past year B. F. Goodrich produced truck tires in large sizes for highway service, made entirely of the synthetic duplicate of tree rubber, that are now giving mileage and over-all performance comparable to truck tires made entirely of crude rubber.

Goodrich-Gulf Chemicals, Inc., took title in 1955, at a cost of $39,500,000, to government facilities in Port Neches, Texas, for the production of man-made rubber and its components. Goodrich-Gulf Chemicals, Inc., has begun construction of pilot plant facilities at Avon Lake, Ohio, to produce the new man-made rubber which synthetically duplicates tree rubber.

Numerous steps were taken last year to improve and increase the company's manufacturing, distribution and customer service facilities. Construction of a new plant for the manufacture of acrylonitrile was completed by B. F. Goodrich Chemical Company, a division, in Calvert City, Ky., at a cost of $9,500,000. A $2,500,000 expansion at the Louisville, Ky., plant of the same division was started last year to double capacity there for production of Hycar special-purpose American rubbers and latices. An expansion program calling for a 50% increase in tire output at BFG's Los Angeles tire manufacturing plant, at an approximate cost of $6,000,000, started in 1955. A new tire cord fabric calender train was installed during the year at the company's Oaks, Pa., plant enabling the plant to increase tire production by 20%. A $3,500,000 expansion, more than doubling the company's foam rubber production capacity, was completed by the company's Sponge Products division at Shelton, Conn., and latex foam capacity costing over $1,000,000 was added in a plant of B. F. Goodrich Sponge Products division in Waterville, Quebec.

Construction contracts were awarded in 1955 by B. F. Goodrich Canada, Ltd., for a $3,500,000 chemical plant near Niagara Falls, Ontario, Canada, to produce plastic materials with completion scheduled for early 1957.

A $1,500,000 plant for the production of floor tile was completed during the year at Watertown, Mass., headquarters of the company's Footwear and Flooring division, and the new plant is now in full operation.

Construction was begun on a new Kansas City, Kan., distribution center to be one of the largest of the kind operated by B. F. Goodrich and the 14th major distribution center established coast-to-coast by the company since 1950.

As to overseas operations, the planting of rubber trees began last year on The B. F. Goodrich Company's 600,000 acre land concession in Western Liberia, Africa. Construction of new tire and tube manufacturing plants in Peru and in Manila, the Philippines, also started in 1955 with B. F. Goodrich as a minority stockholder in both companies which will employ BFG patents and technical assistance.

British Geon Limited increased its capacity and its output of vinyl plastic materials during 1955 and Japanese Geon Company, Ltd., operated at double its 1952 capacity. Geon do Brasil in Sao Paulo and Geon de Mexico in Mexico City began production during the year. Associate companies of B. F. Goodrich in France, Holland, Mexico, Sweden, England and Colombia during 1955 substantially expanded their facilities for the manufacture of tires, tubes and other rubber products.

The following developments are among the more significant new or improved products introduced by B. F. Goodrich in 1955:

. . . A man-made fiber different chemically "from any now on the market." Known as "Darlan," the material is now in pilot plant production at Avon Lake, Ohio. The new fiber, in a soft, fur-like texture, is being used for the first time in women's luxury pile coats but can be adapted for almost every type of wearing apparel.

. . . Use of the company's Hycar latex to upgrade blue denim on a commercial scale began in 1955. Hycar-sized denim is softer, wears longer and retains color so that denim garments can be laundered with white clothes.

. . . A new Koroseal upholstery material, basically composed of microscopic, interconnecting cells that literally air condition the plastic material. Known as "Air-Porous Koroseal," the upholstery feels cool and fresh in summer, yet remains comfortable and pliable at winter temperatures.

. . . Aircraft tires, first to meet new U. S. Air Force requirements for service in extremely high temperatures at high speeds under heavy loads. Tested in temperatures as high as 280 degrees Fahrenheit, the speciallyengineered tires passed tests said to be the most exacting ever established for pneumatic tires for USAF Aircraft.

. . . The world's first high-pressure tubeless airplane tire capable of absorbing the stresses of landings and take-offs at 300 miles and hour. Although no larger than a passenger car tire, it withstands the almost unbelievable impact of a load of approximately 10,000 pounds while rolling at 300 miles an hour.

. . . A moving rubber sidewalk capable of handling 15,000 people an hour. Widest conveyor belt ever used commercially to transport human beings, it was put into operation this year at the Coliseum, Houston, Texas.

With respect to research activities, radiation sources of a type used for the first time outside government atomic laboratories were installed in The B. F. Goodrich Company Research Center, Brecksville, Ohio, in 1955. The device, known as a "pig," makes possible the extension of radiation studies started at the Research Center several years ago which resulted in the discovery of materials, announced in 1955, that extend the service life of rubber, and rubber products at least ten times when exposed to atomic radiation.

GEORGE H. COPPERS

President, National Biscuit Company

The year 1955 has been one of outstanding performance by business as a whole in our country. An unprecedented demand for goods and services has been met by impressive production increases. Competition has been extremely keen in most industries and the "battle for volume" in many areas is bringing an abundance of new and improved products which have enjoyed enthusiastic consumer reception.

Geo. H. Coppers

Sales in our industry reached an all-time high in 1955. The increase was a volume gain since, for the most part, prices remained unchanged through the year. Raw materials have been plentiful. Higher pay rates have brought about a rise in overall costs which has yet to be reflected in the price of the finished products.

National Biscuit Co. achieved record sales in 1955 and we expect further increases this year. Our profits were adversely affected, however, by heavy advertising and promotion expenses incident to the organization and development of two new selling and marketing divisions. We expect these 1955 expenditures to lead to an improved profit position in 1956.

Our plant modernization program is continuing. Our new Philadelphia bakery is now going into production and we are beginning the construction of a new bakery at Fair Lawn, N. J., which should be completed by the end of 1957. A new bakery is being constructed at Montreal, Canada, for our subsidiary, Christie, Brown & Co., Limited.

Our capital expenditures in 1955 were about $20 million and we expect to spend a similar amount in 1956.

Every indication points to a continuation of business at high levels as in 1956 and, in addition to our plant modernization efforts, we are keying our research and personnel development programs to participate fully in the continuing growth of business activity.

STUART COOPER

President, Delaware Power & Light Company

The outlook of Delaware Power & Light Company's officials for 1956 is reflected in the company's capital program presently under way involving expenditures aggregating some $55,000,000 during 1956 and 1957. This is a continuation of the developments during the last ten years during which Delaware Power & Light Company's annual business increased from $13,000,000 to $34,000,000, requiring expenditures of $100,000,000 in facilities to meet the growing demands for gas and electric service.

Stuart Cooper

Two new electric power plants are now under construction at an estimated cost of $40,000,000, one located at Delaware City, Delaware, and scheduled for initial operation in the Fall of 1956. While this plant will be interconnected with the company's transmission system it is being built primarily to furnish steam and electricity to Tide Water Associated Oil Company's new $120,000,000 refinery being built at that location.

The second plant, an 80,000 kilowatt electric generating plant, presently under construction on the Indian River near Millsboro, Delaware, was originally scheduled for operation in December, 1958. The rapidity of load growth throughout Delaware and the Delmarva peninsula, including those counties of Maryland and Virginia located east of the Chesapeake Bay, made it necessary to advance the schedule by one year. The construction of that plant now well under way should be completed in the Summer of 1957.

Increasing electric sales, a good barometer of business conditions, stem from all categories of consumers. Air conditioning of residential as well as commercial buildings is producing a great deal of summer business. Such business has not yet, however, established the company's system peak electric load as a summer peak and the occurrence of system peaks during the winter months is expected to continue for another year or two.

The company has long enjoyed a diversified industrial electric load operating with a relatively high load factor. It has no single large dominant industry whose ups or downs might seriously affect the company's prosperity. It enjoys rather a wide diversity of smaller steel, chemical, paint, leather, textile, food processing, auto assembly and other plants of similar nature, the net stability of which is unusually good.

The City of Wilmington has substantial and expanding port facilities and terminal warehouses and as the first port on the Delaware River is enjoying a steady increase in coastwise and overseas shipping.

As the chemical center of the world Wilmington is experiencing steady and substantial growth in the chemical industry. It is expected that this growth will be further stimulated upon the completion of Tide Water Associated Oil Company's new refinery.

Census reports show that Delaware is the fifth fastest growing state of the nation. This growth originating in increasing business reflects unusual demands for new housing, shopping centers, schools, churches and all elements of a rapidly growing community. As these demands are being met they bring substantial gains in business to Delaware Power & Light Company. Rural and seashore areas served by the company are growing steadily, though at a less impressive rate.

All these results reflect the fine economic climate which the company's service area enjoys. Easy and diversified transportation to the centers of population, good living conditions with recreation facilities within easy reach of all, fair taxes and a mild climate all contribute to the rapid development of Delaware Power & Light Company and the area it serves.

KIRKE W. CONNOR

President, Micromatic Hone Corporation

The healthy competitive condition of business indicates a good year in 1956. To meet increased competition manufacturers are looking for and developing ways of improving their product and minimizing costs. This is resulting in the adoption of new designs, new processing techniques and new machine tools.

Kirke W. Connor

New designs to improve product performance and life mean better quality—more precise tolerances and controlled functional finishes on critical surfaces. The new techniques have, in most cases, taken the form of more automatic production lines that give greater production at lower costs.

In many cases the equipment now in use is not adequate to produce the precision required. Not because of the age of the equipment necessarily, but because the method of processing, or stock removal, does not give the control of accuracy and surface quality needed. Yesterday's equipment and methods were designed to supplement the skill of the operator. Without the operator to make constant adjustments, consistent results cannot be obtained.

New processing methods and new equipment must be developed to meet the needs of modern industry. Methods that will obtain production without sacrificing quality. Equipment that will consistently generate accuracy with a minimum of scrap and maintenance costs. In other words, **automatic precision**—or "automation" must be adapted to a degree which will enable each manufacturer to reach his own optimum point of operation.

In any field prominent in the plans of automation the immediate forecast of a business trend must necessarily tie-in with this "Second Industrial Revolution."

Automation has been called the application of electronic brains (communication and control) to mechanical muscles. It has been called a collection of automatic conveying, machining, measuring, gauging and selecting or "sensing" devices. Automation also means "feedback"—the ability to detect and correct errors as they occur.

Whatever the definition, automation simply is an improvement in our mechanized industry. For years economists have been referring to mechanized work as "work done by tool energy." In 1954—in America—this figure was approximately 96% of all work done . . . the highest percentage ever attained since the beginning of time. And automation is still in its infancy.

With this trend as a background and with expansion programs of industry at an unprecedented pace there are two other favorable factors of more immediate bearing.

Currently, the backlog of orders and the number and calibre of quotations combine to strengthen the optimistic outlook. Although the greatest factor in the surge is the huge retooling program of the automotive industry . . . undoubtedly the foremost proponent of automation . . . other industries feeling the pressure of competition are also represented.

Today, as never before, the truth of the axiom "the man who needs a new machine tool and doesn't buy it is paying for it anyway" is being recognized by men responsible for equipping and operating our industrial plants.

F. S. CORNELL

Executive Vice-President, A. O. Smith Corporation

In attempting to predict business levels for 1956, it is a temptation to straddle the fence and say, "Good for the first half, somewhat off after that." Most of the current forecasting opinions run that way, it seems. We at A. O. Smith have to do better than that, however, because our sales and capital expenditures planning must be based on longer time periods.

F. S. Cornell

I think that we have all the ingredients required for a full good year in 1956.

After considering the strong position of manufacturers' backlogs as well as indicated plans for new plant and equipment expenditures, the industrial production index ought to be about 143 by June of 1956, compared to 139 for June of 1955. And in spite of the pressures now being exerted, I don't look for too much of an increase in wholesale prices. By June of 1956 I think the index will be about 111.8 compared to 110.3 in the year earlier. And as far as the stock market is concerned, I believe it will reflect the fundamentally healthy condition of our economy by continuing to move upward.

Producers, generally, are spending money for plant and equipment at a rate well above 1954, particularly in the durable goods industries. As a result new orders and employment in metals, metal fabrication, machinery, chemicals and transportation equipment industries are increasing sympathetically.

The labor force and households have been increasing steadily since the war. Their needs for food, clothing and necessities have also increased steadily, as activity in those fields will show. In an atmosphere of confidence, with steady wages and slowly rising costs of living, wage earners are willing to buy luxuries or goods other than necessities. This is being demonstrated right now.

I think the situation is right for a **full good year** in 1956, not just the first half. Capital goods employment is rising, weekly wages are increasing and consumers are buying more than necessities. Household formations during the new year will be almost as great as in 1955 and will continue to increase in 1957. If the business community realizes this and prepares for it, purchasing power will automatically be placed in the hands of the buyers. I believe that the stock market will strengthen and rise sympathetically since security purchasers will reflect confidence in this strong underlying growth trend in our population.

Whether we have a full good year, with no slackening in the second half, depends on the preservation of this atmosphere of mutual confidence that producers and consumers seem to have in each other now. I believe that the business community has to take the lead in this matter. People will buy if we make it possible for them to do so.

Our plans at A. O. Smith Corporation are based on belief in the increasing needs of consumers during 1956 and succeeding years for our products. We hope our fellow producers will support us in this belief, since it calls for united trust and confidence in the future.

M. F. COTES

President, Motor Wheel Corporation

We operate in two areas—automotive and appliances.

As a major supplier of wheels, hubs and drums to the automobile and motor truck manufacturing industries, we feel that our sales prospects for the coming year are good. While some forecasts from within the industry state that automobile production in 1956 may be approximately 10 to 15% less than in 1955, it must be realized that even this much of a drop would find the industry enjoying its second biggest year in history.

M. F. Cotes

Prospects for motor truck sales for 1956, meanwhile, have been viewed optimistically. The spokesman for one major manufacturer has stated that this year could well be a record sales year for trucks.

Our power-adjusted wheels for farm tractors are making a major contribution to the safety, convenience and efficiency of farm operation. Orders for these wheels, whose production Motor Wheel pioneered shortly before the Korean War, have significantly increased.

In appliances, where our production is aimed at the recent and increasing trend to suburban living, we again anticipate a good sales year, quite probably better than in 1955. For 1956, our second year as manufacturers of power lawn mowers, we doubled our production schedules on both of our lines, Duo-Trim and Reo.

We anticipate that sales of our other Duo-Therm appliances—space heaters, water heaters, mobile home heaters and air conditioners—will continue strong.

Overall, with a high level of automotive production and the strong possibility of a million housing starts, most of which will be in the suburbs in line with the current trend, we believe the Motor Wheel outlook for 1956 is a good one.

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JEROME K. CROSSMAN

President, Ryan Consolidated Petroleum Corporation

The relatively small, independent oil and gas producer looks forward to 1956 with cautious optimism. Although we have many common problems, the small independent is confronted, we think, with more onerous burdens than the larger integrated companies. A small company cannot afford the **continuous** and daily expense in using the modern tools for aiding in finding oil or gas over vast and diverse areas. Geology alone has become but one tool. Thus, a small independent finds it difficult to make the so-called "law of averages" (and this "law" has certain validity) work for us. Nor does the independent have other sources of revenue as does the integrated company. The independent's sole return comes from the unrefined, basic products.


Jerome K. Crossman

I have pointed out the foregoing ideas which are not really new, but the problems flowing from the facts are yearly becoming more accentuated for the small independent.

All of our costs of doing business have continued in an upward spiral, and this includes exploration (geological, geophysical, etc.), lease acquisition, drilling and development costs. In addition, there has been a most substantial rise in the cost of all servicing. For several years now we have been forced to bear these additional burdens without compensatory rise in the price of our product. The gross inequity herein set forth calls for speedy rectification which can only come through an increase in the price of crude and gas.

The industry generally faces certain critical situations. Again we find "drum beating" on the depletion allowance factor, mostly by a group of uninformed "college professors." These theoreticians simply cannot seem to understand that oil and gas are in their natural state depleting assets; that one does not just plant a seed and see these products sprout. One would really think from these uninformed bleatings that one could grow oil and gas just like you can a bushel of corn. Goodness knows, it would be heavenly if our major problem was to ascertain the quantity, quality, and kind of fertilizer.

Still vexing is the problem of imports. Some of the major companies seem at times to be suffering from both acute and chronic astigmatism in their handling of this problem.

To add more woe to our troubles here comes "Papa" Federal Power Commission interpreting and administering the 1938 Natural Gas Act as though it were meant to give to said Commission unconscionable control, really powers that would be inherent in a dictatorship. The Harris-Fulbright Bill, which passed the House of Representatives before the last adjournment and is now before the Senate, would in reasonable measure amend the Natural Gas Act, making it impossible for the Federal Power Commission group to exercise control and interpret the Act as they have done. It is time indeed that these usurpations of authority be halted. The ultimate gas consumers, did they but know the facts and the implications flowing from the Federal Power Commission's interpretations of the Natural Gas Act, would be the most vigorous proponents of the Harris-Fulbright Bill.

I wish that space permitted a detailed survey and study of the few points that I have mentioned. The reader can see, however, why I have stated that the oil and gas producer approaches 1956 cautiously. It goes without saying, of course, that our industry does not live by itself, and even though we on balance can find surcease or perhaps cure for our own major specific industry problems, the oil industry will follow a general trend of business in our country. To me, future business prospects look quite favorable for 1956. I am hopeful that the oil industry will be able to weather the specific storms confronting it.

JOHN M. CURLEY

President, Eastern Stainless Steel Corporation

It is impossible for me to find anything but optimism in the outlook for the stainless steel industry for 1956. The confidence of Eastern Stainless Steel Corporation in business trends during the coming year is perhaps best evidenced in Eastern's plans for the future which cover not only 1956 but extend well beyond.


John M. Curley

Certainly the overall health of our general economy will have an important effect on the business of the stainless steel industry, and that of our Company as well.

It is important to note, however, that the growth of the markets for stainless steel has run well ahead of the general economy. It is my conviction that this growth will continue for some time to come.

This belief is confirmed by the fact that stainless is now being used in many ways that were undreamed of a few years ago. Steels we were making a short while back as specialties are now so widely used that they have become commonplace in our daily living.

In addition to this, new analyses—new alloys—are continually being developed to meet the technological changes brought about by our present era of high speeds, extreme temperatures, and atomic power developments which promise so much for the future.

The general public may still think of stainless as a metal having only stain resistant characteristics, and bright attractive finishes—more or less a "luxury" metal.

The fact is, of course, that there are many types of stainless, each distinct in composition from the others, and each developed to meet specific metallurgical requirements.

For example, recent developments in the guided missile field and the aircraft industry have required changes in existing stainless analyses so as to provide practically a new type of metal able to withstand the severe stresses, strains and temperatures which are encountered in supersonic flight. Similarly applications in atomic energy require specialized grades of stainless which did not exist a few years ago.

In line with our optimistic outlook for the rapidly-growing stainless steel industry, Eastern recently completed plans to expand production facilities by approximately 50%. This expansion program, which includes a new Sendzimir continuous rolling mill and related equipment, will enable us not only to keep pace with steadily increasing demand, but also to enter new and broadening markets for various special types of stainless.

Combining the experience, skills and techniques of our production people with these new facilities—which represent substantial improvements over previous methods and equipment—Eastern will provide a range of flat rolled stainless extending from the heavier plate thicknesses down to sheets of foil thinness.

The new mill facilities are designed to provide almost complete automation, along with many technical advantages over other production methods. Completely flexible, they will make possible highly-economical operation in producing both small and large quantities in each of the many grades the market requires.

The year 1955 was a very good year for Eastern Stainless. New records in both sales and earnings were established, and substantial progress made in our long-term expansion program. There are indications that reduced inventories in the hands of our distributors and fabricating customers are well below normal working requirements. Combined with an increasing backlog at our mills, these factors point toward another good business year for us in 1956.

The long-range outlook, extending into 1957 and beyond, has in our opinion, even greater potentials.

E. S. DABNEY

President, Security Trust Company, Lexington, Ky.

Booming business is the forecast for 1956, at least in the early months of the year. Present business conditions are nothing short of a boom. With Gross National Production exceeding $400 billion on an annual basis, Personal Income over $300 billion, Personal Consumption Expenditures over $250 billion, Construction Activity approaching $45 billion and Industrial Production reaching for $150 billion, booming conditions certainly exist. While Automobile Production and Housing Construction may decline somewhat and Farming is comparatively unfavorable, no other active recessive factors are immediately in view.


E. S. Dabney

Similar conditions exist in many countries throughout the world as prevail in the United States, the chief industrial power. Probably few people in the early years of the 20th century envisioned the progress of the first 55 years. Probably few of us today can comprehend the progress of the last half of our century. In the long range, progress appears inevitable, perhaps on an accelerated basis. As Sir James Jeans, a British mathematician and astronomer, stated in one of his books, our generation is living in the "dawn of history."

If this picture be correct and the situation described with reasonable accuracy, how will the year 1956 fit into the picture? How at the end of the year will we view the developments in retrospect as we now attempt in prospect, particularly from the banking standpoint?

"The good factors in business will take care of themselves, the bad factors always need watching," as the saying goes. Are there any "bad factors" in the present situation and, if so, what such factors exist?

A question mark may be placed after Credit. With commercial bank loans around $80 billion, with instalment credit reaching for $30 billion and mortgage credit over $125 billion, all figures high historically, a lot of people owe a lot of money. Certainly the large increase in the use of credit in the year 1955 has contributed substantially to business activity. Certainly the use of credit can not continue to accelerate at the present pace.

Danger in the use of too much credit is recognized in Federal Reserve policy. Successive increases in the discount rate, to 2½% at present, are designed to restrain credit. Federal Reserve policy is attempting to slow down the boom.

If the business boom reaches its peak in 1956 and then recedes, through the influence of Federal Reserve policy and other factors, what situation will then exist? The answer to this question will be produced in the year 1956. Most present thinking envisages a moderate decline. A reversal of Federal Reserve policy from restraint to active ease in credit is expected to be helpful. Howver, as with inflation, so with deflation, it tends to feed upon itself. The Federal Reserve recognizes that easy money of itself will not and can not produce prosperity. Accordingly, it is possible in 1956 that recessive factors may become stronger than is generally contemplated.

Cycles in business have existed for a long time. Somehow or other cycles go on. Business advances and recedes without the movements being clearly foreseeable. No "crystal balls" reveal the pictures in advance. A good question is whther Federal Reserve policy and other anti-deflationary governmental programs will cause a reasonably prompt reversal of deflationary tendencies.

Excessive use of credit is a possible "bad factor" in the business picture in 1956. If this factor produces troubles, the bankers will be well advised to face such situation with an abundance of good common sense and courage.

J. GORDON DAKINS

Executive Vice-President, National Retail Dry Goods Association

The nation's department and specialty stores are now winding up a year in which they will undoubtedly chalk up record sales volume. The prospects are also bright for the first half of 1956. Merchants look for improved volume and profits during this period. Most anticipate sales gains of 5% but many as much as 10% over the corresponding period in 1955.


J. Gordon Dakins

They base their optimism on the belief that people will continue to be in a free and easy spending mood next Spring. People on the whole are very optimistic. Results of a study made in October by the Survey Research Center of the University of Michigan indicates that 71% of all people expect good times to continue at least during the first eight months of next year.

There are also other reasons why retailers look for good business. They believe that employment will continue to expand to new levels, unemployment will remain comparatively small, wages will be higher and, as a result, personal income will reach a new high. These factors considered together with the rising level of capital spending by business, the possibility of Federal tax cuts, ample credit available, and the fact that Americans are spending an increasing percentage of their incomes each year, all augur a bright outlook for Spring 1956.

To achieve their volume figures merchants count on keeping their basic stocks complete, offering strong values, having a flow of new promotable items and developing a better sales staff. To reach their profit goal, they are keeping a watchful eye on expenses. It is interesting to note that the intensification of competition and more aggressive merchandising, particularly by the larger stores, has resulted in much greater interest on the part of smaller stores in joining buying offices as one method of being able to compete more successfully.

Inventory levels in the first half of 1956 will not differ materially from those in the first half of last year. Prices, however, are likely to creep upward.

Departments likely to record the best sales increases next Spring are:

1. Sportswear.
2. Ready-to-Wear.
3. Children's Wear.
4. Men's Wear.

In recent months department stores have been making a big comeback in major appliances and it is expected that sales gains in these big ticket items will continue.

Because the typical family unit will have a higher income next year, the willingness of the public to "trade up"—that is, to buy more expensive goods—which has been a marked characteristic of business this year, will continue. Consumers are interested in merchandise of good quality and style, even if it means buying better and more expensive merchandise.

Newspapers will continue to be the dominant sales promotion media next year. Promotion costs will probably go up, however, because the recent rise in the cost of newsprint will probably be reflected before long in an increase in advertising rates or increased newsstand prices, or both.

Credit will be emphasized strongly by department and specialty stores next year as a sales tool—particularly revolving credit for soft goods. Side by side with this growing emphasis on credit for promoting sales, however, will be the exercise of greater caution in screening credit risks as well as intensification of collection effort. Because of this greater selectivity of credit extension, there should be no rise in bad debt losses.

Capital expenditures by stores next year will be about the same as this year. Funds will be spent mainly for general redecoration, enlargement of selling space and the purchase of fixtures for simplified selling.

Of course, stores will still have problems in 1956. The most important threat to retailing next year will be the expected campaign in the next Congress to eliminate the retail exemption from the Fair Labor Standards Act. The action already taken by Congress to raise minimum wages to $1.00 an hour next Spring is also bound to affect the wage structure of many department stores because they will have to make corresponding adjustments in their wage levels to be competitive in their own labor market.

Hiring of adequate and competent help is still a serious retail problem.

There is also a possibility that applications made by railroads before the Interstate Commerce Commission for rate increases may be granted by next June, which will be reflected in rising transportation costs for department store goods.

Department stores have been more aggressive the past year in meeting the competition of the discouunt houses and as already indicated, have been able to recapture some of the appliance market. They will continue to follow the same program in 1956.

This year will also see the opening of a number of new regional shopping centers and the erection of many branch stores. Along with this, however, will be seen a marked step up in activities to develop downtown areas. Nineteen fifty-five could well be described as the year in which businessmen awakened to the need of doing something about downtown improvement. Nineteen fifty-six should be a year when this interest will change into determined action.

I. D. DAWES

Vice-President and Treasurer, Virginia-Carolina Chemical Corporation

Because of the seasonal nature of our business, the year 1956 for us covers mainly the shipping season from January through May.

Historically the prosperity of fertilizer companies has been dependent upon farm income and over a long period of years the fertilizer sales curve will parallel closely that for farm income. If one could predict, therefore, that farm income in 1956 will improve, he would have no difficulty in visualizing a prosperous year for the fertilizer industry. The present farm outlook, however, appears to the contrary, with the country faced with tremendous surpluses of many agricultural products, even tighter restrictions on acreage and more crop control. It is not anticipated, however, that tonnage will be reduced sharply but everything points to it being lower rather than higher in 1956. Taking a long view, however, the growing total population, the constantly declining farm population and the limited total acreage indicate that the long-term outlook for the industry is excellent, even though this may not be true for individual years, such as 1955 and 1956.


I. D. Dawes

THOMAS L. DANIELS

President, Archer-Daniels-Midland Company

Looking into the future, economists and businessmen the country over see a continuation of last year's unprecedented good times. They base their opinions on proved economic indicators rather than magic: Capital spending is up; so are steel production, construction starts and retail sales. But basically the optimistic predictions for 1956 stem from a firm belief in progress and the confidence it inspires.


Thomas L. Daniels

Among the relatively few dark spots on the economic horizon, however, is agriculture, ADM's major source of raw materials. Naturally we are vitally concerned with farm prosperity. And like those who associate prosperity with progress, we find it difficult to accept completely, the dismal view of agriculture expressed so often today. We feel that farm reports indicating revolutionary advances in technology and efficiency on one hand and economic gloom on the other fail to tell the entire story.

In certain sections of the country, where farming techniques represent the most modern scientific advances, farm receipts during 1955 held steady with the previous year in the face of a four percent decline nationally.

There is further evidence that efficient farming is still profitable. The U. S. Department of Agriculture estimates that out of today's 5.3 million farms, two million produce 90% of all farm products. Certainly, included in these two million farms are many of large acreage, but it is obvious that they also are operated on a professional, businesslike basis.

However, I do not intend to minimize the problems confronting agriculture today. According to late estimates, realized net farm income during 1955 was down 10% from a year ago. In some commodities surpluses continue to mount while improved methods, equipment and fertilizers enable farmers to increase production. This over production is serious.

Some commentators even refer to agriculture as "having its own private depression." Under present day conditions it is doubtful that any segment of our economy can have a "private" depression. For example, the influence of the farmer is revealed in the USDA estimate that farmers will spend about $5.34 billion just for electrical appliances during the next five years. So the farm problem is clearly everyone's problem.

But the search is now on for a means of reversing the declining farm income trend in the midst of general prosperity. And though no easy cure-all is presently apparent, a workable plan surely can be developed if it is based on intelligence, patience, and experience and not on political ambitions or expediency.

Also, several other positive forces are at work. A soaring world population is predicted to reach 3.5 billion by 1980, an increase of nearly one billion people. Agricultural exports increased 12% in 1954-55 and should continue high this year. Sound merchandising practices are proving their value in moving huge crops. Extensive research by industry, government and universities is creating new markets for America's harvests, as well as expanding markets.

We at ADM enter the new year with utmost confidence. As in the past, research continues to pace most of our operations by upgrading and developing new intermediate products used by virtually every industry in the country. A majority of our research has been in the field of organic chemistry—chemically modified industrial fats and oils, alkyd resins, higher fatty alcohols, vinyl plasticizers, etc. Because of this diversification we look forward to continuing good business in the months and years ahead if the U. S. economy continues at high levels.

R. P. DOHERTY

President, The National Bank of Commerce of Houston, Texas

Although there are presently some stresses and strains in the over-all national economy, the Houston area is still in a period of dynamic economic growth and the advantages in the Southwest to industry, commerce and trade are very substantial and are being recognized daily. Population increase alone is impressive. We anticipate a continuing growth and an increased demand for business loans, but not by as large a percentage as in the past year. We feel that all well managed companies in our area, large or small, will be able to attract needed capital and necessary credit for continued growth.


Richard P. Doherty

We recognize that the credit policies of the Federal Reserve Board and the National Debt Management policies of the Treasury Department are now well coordinated and gauged to the over-all national welfare, and will influence the supply of money and availability of bank credit. For this area it has so far had only a mild restraining effect. We do not see any difficult problems in this area's economy, now or in prospect, attributable to the Federal Reserve policy of tight money—if further measures of restraint are not now to be anticipated.

HON. WILLIAM L. DAWSON

U. S. Congressman from Illinois
Chairman, Government Operations Committee

A consideration of the legislative outlook is likely to focus on the obvious—budget balancing and tax reduction. May I suggest some more basic areas where decisions must be made which will test the vision of legislators and prove their statesmanship.


William L. Dawson

The Constitution of the United States is a unique document. It was an experiment when adopted. It still stands alone as a charter welding together 48 sovereign political entities into one indivisible government.

Where is the division of responsibility; where is the allocation of duty as between the States and the Federal Government?

It has been said, "Use the level of government closest to the community . . . reserve National action for residual participation . . ."

The Congress must decide whether this concept sufficiently recognizes a shrinking America resulting from rapid communication and transportation. Are local grading standards enough for fruit grown in one state and sold in 48? Can local resources be relied upon to protect communities hundreds of miles away from the devastation and death that follow in the wake of flood waters? Can we afford the chaos of 48 different axle load requirements for trucks in interstate commerce? Does the Federal Government have an obligation to protect our irreplaceable natural resources from exploitation by special interests working through amenable and pliant local authorities? What should be done to prevent a bureaucracy, revelling in its own sense of power, from becoming a permanent and dubious luxury? How shall the powers which the Constitution "reserved to the States respectively, or to the people" be safeguarded from encroachment or usurpation?

These questions cannot be answered in legislative vacuum nor solved by invoking political cliches about states rights. They challenge the judgment and try the conscience of the legislator.

This Congress is also confronted with the twin problems of urban attrition and the cost-price squeeze on the farmers.

Our metropolitan areas are coming to consist of socalled "core cities" surrounded by satellite suburbs. Often the core city has to continue the full maintenance of municipal services in spite of rapidly shrinking revenues and evaporating assessable property valuations. Housing, transportation and retail trade are all going through a period of painful readjustment. Hence, many legislative questions having to do, for example, with the mutually exclusive areas of federal and local taxation take on a new importance.

The farm problem cannot be considered solely in the light of a decision on price supports. It involves longrange judgments on the ultimate effect of increased mechanization, of shrinking farm population, of increased acreage per farm, of tremendously augmented production due to hybridization and the chemical miracles in insecticides, fungicides, antibiotics, and fertilizers.

In considering these unquestionably important matters, care must always be taken to guard against a warped perspective. What is the relative importance of these matters in a war-wracked world? When Western civilization is in truth threatened by the pestilence that walketh in darkness and the destruction that wasteth a noonday, every judgment must be weighed in a balance to determine what action had best be taken to protect our democracy and preserve the peace of the world.

WILLIAM P. DRAKE

President, Pennsylvania Salt Manufacturing Company

The chemical industry makes no pretensions to altruism, for its function is primarily economic. Nevertheless, in pursuing its economic ends it has reshaped the pattern of daily life. In countless ways, both obvious and subtle, it has brought about a quiet revolution in our mode of living; it has put more food on the table, enlarged our wardrobe, facilitated our transportation, and has even extended man's life expectancy.


William P. Drake

So pervasive is the industry throughout the fabric of our industrial economy, it is difficult to find a single area devoid of its influence. But most spectacular, perhaps—and hence most typical—are the wonders worked by chemical processes and syntheses in these seven fields: fibers, rubber, plastics, medicines, metals, detergents and agricultural chemicals. Wherever the chemical industry has touched each of these, old norms have been scrapped and broader potentialities have been illuminated.

The record of 1955 attests to the dynamic nature of the chemical industry. During this year sales reached an estimated $23 billion, a new, all-time high. This represented a 17.6% increase over 1954 sales, according to the Manufacturing Chemists' Association. America's fourth largest industry continued expansion of plants and facilities at a high level during the year and, based on preliminary estimates, a total investment in plant expansion will exceed $1 billion for the fifth consecutive year.

Profits — Dividends — Taxes

Based on six-month figures, profits after taxes for the first half of the year were $777 million compared with $585 million for the same period in 1954. Cash dividends paid by the chemical and allied products industries were $379 million for the first half of 1955, some 16.6% higher than the $325 million paid during the first six months of last year. Chemical industry payments represented 13% of all cash dividends paid by manufacturing industries during the period.

Projecting first half payments, the chemical and allied products industries will pay an estimated $1.4 billion in Federal taxes alone during 1955.

Expansion

Estimated chemical industry investment in plants and facilities during 1955 will be $1 billion. This amount is equal to $1,621 per production worker and brings the industry's total investment to approximately $42,000 per production worker—highest in American industry.

Production

Production, like sales, reached a new high in 1955. For example, plastics and resins output for this year will reach an estimated 3.5 billion pounds, 20% above 1954's 2.9 billion pounds. Synthetic fiber production in the first three quarters of the year reached 1.2 billion pounds, a 23% increase over the 1 billion pounds produced during the corresponding period in 1954. And, of course, there was a substantial increase in consumption of traditional industrial chemicals and specialty products.

Employment and Wages

The chemical industry supplied direct employment to more than 810,000 men and women including over 540,000 production workers. Average weekly earnings for hourly rated workers were $84.25, more than matching the generally higher wage trend for all manufacturing industries.

In August the chemical industry separation rate was 1.8 per 100 employees compared with 4.1 per 100 for all manufacturing—overall, the industry has the second lowest industrial labor turnover rate.

Safety

The chemical industry continues among the safest in America. On-the-job accident frequency for the first nine months of 1955 was at the rate of 3.27 per million man-hours worked, matching the all-time low established for the calendar year of 1954.

Off-the-job accident statistics for the first six months, reported for the first time by the MCA, show an average frequency rate of 6.26 per million manhours worked, proving that a chemical industry employee is safer on the job than he is off the job.

Projected Expansion

Present estimates are that the chemical industry plans to spend 34% more in 1956 for plant and equipment, or a total of $1.38 billion versus an estimated $1 billion this year. A continued steel shortage, however, would have an adverse effect upon these plans.

In general, current and projected capital spending is

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expected to be channeled increasingly into the production of chemicals and less into auxiliary equipment, site preparation and the like. Therefore, sales return per dollar invested in new plants and equipment should be higher in 1956 as should profit on invested capital.

Industry Problems

With the rapid growth of the chemical industry have come a succession of challenging problems . . . challenges by no means limited to the field of technology. Confronting the industry are problems of human relations, responsibility to the community, conservation of resources, the increasingly acute national shortage of technical and scientific manpower, and problems incident to the disposal of radio-active waste from atomic reactors. The years ahead will surely intensify old problems and throw out new challenges. But just as surely will the chemical industry mobilize its unparalleled resources to meet and overcome them.

WILLARD K. DENTON

President, The Manhattan Savings Bank, N. Y. City

Economic predictions are optimistic for 1956 and should the expected high level of production be maintained, the public should have ample funds available for saving.

Willard K. Denton

Heavy buying during the past year or two may have filled basic needs in many cases with the result that some wage earners will have more disposable funds available for saving. However, more glamorous vacations and more attractive consumer goods will continue to compete for the consumer's dollar. The value of thrift, therefore, needs to be emphasized continuously and, considering the appeal of so much attractive merchandise on the market, the savings banks have been doing an effective job.

In 1955 deposits of the 520 savings banks of the nation increased $1.8 billion to $28.1 billion, a tremendous backlog of savings. The deposit gain for savings banks in 1956 will depend not only upon the level of national production but upon a number of other factors including psychological attitudes, for some people will save only when there is apprehension about the future. How well the savings banks meet the competition of other forms of saving is another factor that will affect deposit gain.

In recent years there has been an inclination on the part of some persons of relatively moderate means to seek higher yields through some form of equity securities. During the same period the yield on interest bearing investments has been increasing and savings bank dividend rates have moved from around 1½% to 2½% and 3%. Yields on prime equities have decreased, thereby narrowing and in some cases more than eliminating the gap between savings bank dividends and stock dividends. It is generally recognized that before investing in risk assets, a substantial cash reserve should be accumulated and the increased dividend rates being paid by savings banks should prove an added incentive for such reserve saving.

Savings banks have been rendering an important public service in the field of mortgage lending and last year they added $2.5 billion to their mortgage portfolios, which now total $17 billion.

The New York State savings banks particularly, after satisfying local requirements, have channeled mortgage money into States where population growth and housing needs have exceeded available local capital. New housing construction, with 1,300,000 new units started in 1955, has played a very large part in maintaining the whole economy on a high level and the role of the savings banks has been a most important one. It is predicted that housing will continue in 1956 as a great stimulus to our economy with new units estimated in excess of a million, and the savings banks can again be counted upon to supply a sizable portion of the financing.

The expected volume of mortgage demand and available funds have been estimated in attempts to forecast the trend of mortgage interest rates. Actually, mortgage interest rates are part of the over-all interest rate pattern and interest rates today are subject to action by Governmental agencies as well as to the law of supply and demand. The prevailing opinion seems to be, however, that mortgage interest rates will remain firm and may even increase moderately.

The economic signs suggest a high level of prosperity for 1956, but we hear warnings about sales made on excessively easy terms and the expansion in the volume of consumer credit. There is need today to emphasize the value of thrift, the advantage in having the money to pay for consumer goods, the importance of preparing for unexpected eventualities. History has demonstrated that there is no better place to save than a savings bank.

GUILFORD DUDLEY, Jr.

President, Life and Casualty Insurance Company, Nashville, Tenn.

Since deeds speak louder than words, I believe certain actions taken by our company in recent months are a better reflection of our attitude on the outlook of business in 1956 as well as the foreseeable future than any mere prophecies.

Guilford Dudley, Jr.

About 14 months ago, Life & Casualty began construction of a new Home Office building. The Life & Casualty Tower, 30 stories high, will be the tallest commercial structure in the Southeastern United States when completed early in 1957. While we will require only about 40% of the building originally for our current needs, we anticipate that our accelerated rate of growth in 1956 and the years ahead will require that we take over all but two or three of the bottom floors of the structure within the next 25 years.

In January, 1955, we entered the State of California and have since established three district offices. The first office, established in the Los Angeles area, led the entire company in weekly premium increase on a per-man basis in 1955, thereby justifying our faith in the future of California. The economic outlook for that state is practically unlimited and we plan to expand our operation there as fast as practical.

In fact, we feel so strongly about the economic stability of the nation as a whole and the growth prospects for the insurance business that in September of last year, we began pioneer operations in the State of Maryland.

We opened in Texas two years ago and are very pleased with the progress made in that great state where we now have 15 district offices servicing almost $80 million of life insurance in force.

Just a few weeks ago, Life & Casualty placed an order with the Remington Rand Division of the Sperry Rand Corporation for a UNIVAC I electronic computer system, which, when installed next April, will have cost $1½ million. Realizing that at the outset we cannot utilize the full capacity of this electronic marvel, we intend to set up a company subsidiary and make the services of the equipment available to other businesses in our area. This machine will aid us in reducing our cost of operations and should prove to be a wise investment.

One would be hesitant in making such moves if there were any serious doubts about the future potential of our industry or our country.

The population of the United States is continuing to grow at an unprecedented rate. There are now some 43 million potential buyers of life insurance under 15 years of age and it is predicted that our population may reach 190 million by 1965. Twenty-five years ago, life insurance premiums amounted to about 7% of disposable personal income. Today it is a little less than 4%, indicating that life insurance premiums can account for a larger portion of the disposable dollar. Total life insurance in force today represents only slightly more than one year's average disposable income.

Life insurance continues to provide the basic financial security for the average American family and there is every indication that we are far from reaching any theoretical saturation point.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Neb.

As a result of the drouth of this past summer, the last three months have tested the metal of Nebraska bankers in trying to advise with each customer as to his own particular program. And, the banker who does not follow this procedure will find himself in difficulties. Some farmers and businessmen with the right kind of energy, capital and foresight will be able to carry on through his own efforts by analyzing his community and its possibilities under present conditions. Others will need help. They need to look forward to weather conditions for next year, and also to price conditions.

Byron Dunn

The larger cities in Nebraska have gone along with the National pattern and built lots of homes because of the increase in population in the larger cities, resulting from the decrease in farm population. We have talked to our local builders and find that none of them expect to do any speculative building next year; they will build only on order. They feel the housing situation has been taken care of to such an extent that any speculative building will be extremely hazardous. While the National curtailment of credit has some effect on building by individuals, it has not affected the large contractor—until he starts making plans for next year's work.

The building of homes plays a large part in our National economy, and should it be cut off too sharply, will be felt all over the United States. In view of that, the proper authorities should analyze this situation from the voice and thinking of the builder over the last 30 to 60 days, rather than from figures gathered from the entire territory.

The slowing down of the building program will, of course, affect the automobile industry as well as the consumer credit field. I believe depressions of the past can be avoided this year if such organizations as yours, the National Association of Manufacturers and Agricultural Organizations would combine their efforts, hold discussion meetings down at the grass root level of each community, and work together to maintain the economy on a level basis. I don't believe results can be obtained only by sending out literature. We need to get these people together, give them the opportunity to voice their personal problems and thinking, and with good leadership, their actions can be guided to safe channels.

THOMAS W. EADIE

President, The Bell Telephone Company of Canada

A continued increase in the level of business activity in Canada is expected for the first half of 1956. In all probability the increase will be at a slower rate than has been the case in 1955 and some levelling off may occur in the latter part of the year. This expansion could result in Canada's Gross National Product moving from a total of over $26 billion in 1955 to over $27 billion in 1956, an increase of some 4%.

Thomas W. Eadie

It would appear that higher levels of employment and income will permit further increases in consumer expenditures.

Capital expenditures should remain high. There appears to be no let-up in the demand for housing and expenditures should remain high as long as mortgage money is readily available. On the government side, some increases in expenditures on roads and schools can be looked for and no decrease in defense expenditures is foreseen.

Expenditures in the utility field have been heavy in the postwar period and this condition is expected to continue. To meet increased demands for service, it will be necessary for the telephone industry in Canada to increase its capital spending in 1956.

We estimate that our construction program this year will require the expenditure of $137,000,000, an all-time high, to meet the demand for service in our territory in the Provinces of Ontario and Quebec. This compares with a total outlay of some $128,000,000 in 1955.

The number of telephones served by our company now exceeds 2,500,000. In 1955, we installed over 182,000 new telephones, more than in any other year. However, at the end of the year there were about 45,000 unfilled orders for service on our books and 37,000 applications for a higher grade of service.

Last year, our customers made an average of almost 15,000,000 local calls daily, about 1,000,000 more than in 1954. We handled 12% more long distance traffic, the over-all increase in the number of long distance calls being the greatest we have ever recorded. These figures provide an impressive commentary on the vigor of Canadian economic progress.

To keep pace with the country's growing communications needs, Canada's major telephone systems are cooperating in the construction of a transcontinental microwave radio relay network scheduled for completion in 1958. This network will augment the 384,000 miles of circuits now operated by the Trans-Canada Telephone System which was formed 24 years ago to provide long distance telephone service on a national scale. Besides carrying Canadian Broadcasting Corporation television programs from coast to coast, the 3,800-mile network between Sydney, N. C., and Vancouver, B. C., will have the capacity to transmit simultaneously hundreds of telephone conversations.

The Bell Telephone Company of Canada now operates a radio relay system linking Toronto, Ottawa, Montreal and Quebec City and it will form an integral part of the transcontinental network. Other sections are to be completed by stages, with the Toronto—North Bay—Winnipeg chain of relay stations scheduled to go into operation in 1956. Each member organization of the Trans-Canada System is responsible for construction and maintenance of the installations in its own territory.

GEORGE S. ECCLES

President, First Security Bank of Utah National Ass'n, Salt Lake City, Utah

A very good business year is indicated for 1956. It will be bigger than 1955, but only slightly so, and the rate of increase will be considerably less. Among the factors that are significant in the 1956 outlook are the following:

George S. Eccles

(1) A solid foundation in natural resources underlying the boom of 1955-56.

(2) A self-generating economy. New products, new services are constantly being added, the latest of which is the emphasis on automation. We are not a mature economy.

(3) Financial institutions are in very good condition. This includes commercial banks as well as other institutions.

(4) Except in possibly limited fields, credit has not become over-extended.

Specifically, the following items are of major significance in the outlook for 1956:

(a) Capital expenditures for new plant and equipment should be some 10% above 1955 if materials and equipment are available. In the forepart of the year, such expenditures will be considerably above last year's. This applies to manufacturing plants, especially machinery and steel products to mining and mineral processing plants. It is of especial importance in the Intermountain Region where increasing mineral production is so vital in the economy.

(b) Other construction including utilities and public expenditures for roads, schools, water and sanitary facilities will be somewhat above that in 1955. The same is true for commercial buildings. These will offset to some extent the decrease in residential construction, although it will affect the economy in somewhat different ways.

(c) High demand for mineral and mineral products should continue. Production of copper; other nonferrous metals; iron, steel and steel products; hydrocarbons such as oil, gas and coal and their derived products; and building materials including cement, gypsum, brick and block should be at capacity. This is especially true of the first six months of 1956 for which orders have generally been placed. Production of fertilizer materials should be equal to last year's. These groups of products are closely associated with the economy of the Intermountain Region.

Productive capacity of the nation, and of the region will be strained for some months if orders that have been placed are filled. Allocation of products, especially the metals and building materials, is foreseen to midsummer.

There are some offsetting factors:

(a) Agricultural maladjustment is the most serious problem. The major question is what to do with the tremendous surplus overhanging the markets and the political and economic significance of agricultural prices, parity and acreage or marketing allotments.

(b) Labor problems may become important factors affecting production of goods. Prolonged strikes and reduced income would affect consumer sales and payments on instalment and mortgage loans.

(c) Consumer expenditures will possibly equal those of 1955, but with some shift as among types of goods. This applies especially to cars.

Data seem to indicate that the sale of cars in 1955 was some one million above a so-called "normal." These sales will not be made in 1956. This might have a definite impact on automobile producing areas and on the market for steel, copper and other metals, glass and rubber. However, a decrease in use of those materials by the automobile industry will perhaps make available additional supplies to other industries and prevent spiraling of prices.

(d) Decrease is expected in construction of dwelling units from the high level of 1955. This is due first to the shortages of building materials, secondly to shortage of mortgage credit.

* * *

Tight money is expected for a number of months with generally higher interest rates. This should have the desired effect of reducing credit demand.

Repayments may equal or surpass extensions of instalment credit and the upward trend in mortgage credit should be lessened. General credit control, together with shift in consumer demand, might be adequate thus avoiding the necessity for specific credit controls through authorization for a return of regulations X and W. The proportion of income going into savings should increase.

1956 should be a good year; the leveling off in the upward trend is indicated. It means a change of pace from that of 1955 and a more realistic economic growth than that of the previous year.

HARRY EDISON

President, Edison Brothers Stores Inc.

The business boom of 1955 will well lap over into 1956. The political climate which business will experience during 1956 will not retard an upswing which in my opinion will see business climb to even a higher plateau than 1955.


Harry Edison

Based on information already a matter of record, estimates put capital expenditures by corporations and business generally during 1956 at approximately 35 billions of dollars, a sizable increase over similar outlays during 1955. This manifests a definite feeling of business optimism, plus the necessity to augment our production facilities to meet the ever increasing needs of consumers and continued growth in population.

Moreover, additional billions of dollars will be spent by our government on our defense program and added billions will be spent for highway construction, for housing, for schools, for hospitals, and by railroad and transportation lines towards improving their facilities.

These spendable billions should support peak employment and with high wages for those employed. Couple this with an already huge backlog of saving which our people possess, certainly offers a fertile field in which competent business management should thrive. Of course, as in every year, we may experience some minor ills. But since our nation is clothed with a sound economy and unlimited natural resources, our national status will continue to be healthy.

Shoe production for 1955 might well exceed 550,000,000 pairs and a greater production is anticipated for 1956. Our own company will close the year of 1955 with an all-time high record of sales approximating 88 million dollars. Company earnings will also be higher than the previous year. Our confidence and optimism for the future prompts us to plan a continued expansion program. We will add a total of approximately 60 new units during 1956 and 1957.

Manufacturing resources in every field should strive for greater efficiency, expanded production and lower unit costs. Aggressive competition will be even a greater challenge in 1956 than in the previous year, and it will take most efficient management in production and distribution to meet this challenge.

Sound underlying factors point to another year of national prosperity.

W. H. EDWARDS

President, Lehigh and New England Railroad Co.

The year 1956 will, in my judgment, be an outstanding year tonnagewise for railroads. A survey of our particular outlook indicates that 1956 will be an excellent year from every standpoint if freight rates are increased sufficiently to offset our increased labor and material costs.


W. H. Edwards

Since the Lehigh and New England is one of the most important cement originating railroads in the United States, since prospects for increased cement shipments are exceedingly bright due to work now in progress increasing capacity of the plants and the extremely heavy demands which will no doubt exceed supply, the Lehigh and New England, naturally, anticipates a banner year.

We have just recently increased the number of off-line agencies by two, having established agencies in Cleveland and Buffalo. We hope, early in 1956, to establish a Chicago agency. The results of what we have already done have been most gratifying.

The Lehigh and New England has a sufficient ownership of freight-train cars and always maintains those cars so as to have the maximum number serviceable, consequently, we feel that we are in a position to handle any increased business offered.

H. P. EELLS, Jr.

President, Basic Refractories, Incorporated

The momentum of current business activity should keep the wheels of industry turning at satisfactory rates well into 1956. If for no other reason than that, broadly speaking, productive capacities are fully extended and any gain by general business seems improbable.

For the Refractories Industry a longer period of peak activity than average is a prospect since the demand for steel, which this industry principally serves, is likely to hold into the second quarter of the coming year. While slowdowns in a few steel consuming industries are predicted, these should be offset by unsatisfied demands in other areas as, for example, industrial construction.

Refractories producers, like a good many others, are faced by the high cost per unit of additional output that will be required to keep pace with the expansion of the general economy. As is the case following a period of inflation, product costs fail to anticipate the correspondingly higher depreciation charges. Obviously the higher capital costs of new plants will compel higher prices unless by his ingenuity the manufacturer is able to increase his output to the point where productivity per dollar of capital investment remains the same as heretofore. I am confident the refractories manufacturer will not relinquish his efforts to accomplish this purpose.

ROLAND A. ERICKSON

President, Guaranty Bank & Trust Company
Worcester, Mass.

The first six months of 1956 should result in good earnings for the commercial banks of this country. The banking industry is basically dependent on two major influences. First is the level of over-all business activity for the economy in question, and second is the attitude of financial authorities toward money market conditions.


Roland A. Erickson

Although the American economy is operating at an all-time high level approximating capacity, there does not seem to be any definite signs yet visible that an adjustment is likely. Except for residential construction, automobile demand, and the planned impact of tighter money, most indices seem to suggest continued high levels of activity particularly through the first half of the year. The forces of increased wage rates, planned capital investments of private industry, states, and municipalities, and the effect of the continued cold war on our defense budget, are all most impressive on the plus side for next year. Their effect is already visible on the "thermometer of the market place" — commodity and finished goods prices. They are forces, however, that could lead to too much inventory accumulation which would tend to generate the need for correction.

The second factor in our outlook, money rates, will probably directly reflect what happens to industrial output. Certainly our money managers in Washington at the moment are using their powers of control astutely and with a delicate but courageous hand. With an implied continued strong business level, we should reasonably look forward to rates of interest that will continue the present good earnings, relatively speaking, for the banking industry.

It would be well at this time for all of us to restudy the money market and central bank theories and practices both in this country and abroad, particularly evaluating various relationships prior to the '30's. Whether or not money rates are high or low is completely dependent on the base with which they are compared. For nearly 20 years up to 1951, America had experienced artificially depressed money rates due to the exigencies of worldwide depression and world conflict. Compared to that period, rates may seem high today. Over a longer cycle, however, they are more properly classified as at an average level since today's rates are substantially below the rates applicable in the '20's and earlier.

A healthy America of the free enterprise vintage, which is really our heritage, demands a healthy independent banking system. A healthy banking system must be built on a foundation of realistic money rates —rates that are not arbitrarily and indefinitely depressed below their natural level. If we are to have the benefit of lower rates of interest in a future depression to stimulate the economy, by necessity there must be higher rates in a boom.

At this level in our economic history and with the fast pace now prevalent, it behooves us all to reexamine credit policies and practices so that we do not feed the "flickering flames" of inflation and thus generate an unhealthy boom that would inevitably lead to a recession. Whether today's high economic plateau can be maintained throughout the full year 1956 depends upon the quality of our banking and industrial leadership together with the skillful management of our financial authorities.

L. J. FAGEOL

President, Twin Coach Company

I believe that business will continue at a high level throughout 1956.

This prediction is based upon a careful study of the varied fields in which our company now operates. We have greatly diversified our activities during the past six years and, for this reason, are closely related to several different markets.


L. J. Fageol

Volume of our aircraft division in Buffalo tapered off somewhat in 1955, due principally to a serious strike and the "stretching out" of some contracts. However, we now have an aircraft backlog in excess of $23 million and anticipate satisfactory operations during this year.

Our automotive division in Kent is just beginning work on a Post Office Department order for 2,000 small "Pony Express" delivery trucks. Demand for units of this type and for other specialized vehicles is currently active and we believe this part of our business will show a substantial increase in '56.

Fageol Products Company, our engine-building subsidiary, is currently introducing a new four-cylinder, four-cycle, 35 h.p. outboard motor at the boat shows. This is meeting with excellent public reception and our dealers are enthusiastic about its sales potential. Volume on our Fageol "44" inboard marine engine is also increasing steadily. A recent survey shows that one out of every 32 Americans now owns a boat and we view this as a huge and certain-to-expand field.

Our 1956 plans also call for an energetic campaign to introduce an industrial version of the "44" engine which we believe can be sold in large volume to power farm machinery, construction and plant equipment.

Sales of our larger engines—to bus and truck manufacturers—continue at a satisfactory level. The expanding use of propane as a motor fuel is constantly broadening the market for Fageol propane engines. Fageol-Leyland diesels are likewise being employed in growing quantities by the nation's leading transit firms.

In line with the above indications of good 1956 business, we plan to constantly continue our efforts toward diversification. It's my personal belief that the success of this program will enable us to build a stronger and constantly-growing company.

DeCOURSEY FALES

President, The Bank for Savings in the City of New York

It is estimated that gross national production in 1956 will exceed $400,000,000,000, the first time in the nation's history that this figure has been attained. If this prediction becomes true, then the coming year should also be a very prosperous one. The outlook for steel, railroads, oil, retail stores and building construction is very promising. Government defense spending will again, of necessity, be of a high level. While motor sales and residential construction may fall off somewhat, other phases of the economy will no doubt take up the slack. There will be more governmental and industrial construction. The public, generally, will be buying more of both soft goods and durables. This is likely, since employment will be very high and at better wages. Furthermore, it is not unlikely that some additional sums will be made available to the public for spending by the government in the form of moderate tax reduction.


DeCoursey Fales

Savings should continue at a high rate, in view of the

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prosperity already mentioned and further stimulated by the increases in dividend rates, recently announced by the mutual savings banks. These higher rates are likely to last as long as the monetary authorities continue their somewhat restrictive higher money rate policies designed to keep the economy on an orderly high level of activity. Offsetting their efforts to a degree will be the tendency of wage rates to out-run the normal growth of productivity of industry.

The savings banks will continue to pass on to their depositors the benefits to be received from the high activity of the year 1956 in the form of the opportunity to save with safety at higher dividend rates. As a result, an increase of about 6% in deposits is confidently expected by the mutual savings banks in New York State.

L. D. FEDDERMAN

Chairman, Interstate Engineering Corporation

Our business prospects for 1956 look excellent, but, like any other firm, those prospects tie in directly with the national economy. Therefore, it is necessary to attempt to evaluate the principal factors expected to affect our country during the year. The state of the President's health, insofar as it influences his decision to run or not to run again is, to my mind, by far the most important factor in our economy—and for that matter, world economy for not only 1956 but for the next four years. That is because Ike can and will defeat any Democratic candidate regardless of how strong a fight he puts up, whereas there is no other Republican who could defeat even the weakest Democratic candidate.

L. D. Fedderman

Medical experience clearly demonstrates that coronary cases can and do live normal lives for many years, providing they use common ordinary horse sense. Men who retire die of an inability to keep busy and active much earlier than men who stay in harness. A return to the Socialistic left-wing policies of Truman, Eleanor Roosevelt, and Harriman would be a terrific blow to the future and, in my opinion, would precipitate a depression. In such case, of course, the Fair Dealer President would spend and spend—and tax and tax, to attempt to get us out of it. We saw this happen under 20 years of Roosevelt-Truman misrule and eight years of Wilson, and we never had a normal period of prosperity or low unemployment—it always required a war.

In 28 years of Democratic administration under three Presidents, we have been thrown into war by each of them, our taxes have constantly increased, our foreign policy has deteriorated, our boys have died on foreign soil, Communists and homo-sexuals have invaded our innermost government chambers, and through it all our left-wing Socialistic labor leaders have told the working man that the Democratic Party is the "peace party and the party of prosperity." The astonishing thing about it is that a majority of them actually believe it.

Although Eisenhower played a very important part in World War II, it was insignificant compared to the part he now plays in the future welfare of his country. He is the only man in the picture today who can save our present way of life. It is just as much his duty to run as it was my duty and that of 11 million others to serve our country in 1942.

In its simplest terms, the year 1956 depends, for real prosperity, on whether the voices of millions are heeded "RUN AGAIN IKE!"

FRANK E. FELT

Vice-President, The First National Bank, Jamestown, N. Y.

As the year 1955 was ushered in on an optimistic note which later events fully justified, so now at the start of the new year present indications point to an equal and possibly higher level of business activity. While there might well be some letdown for a short period, following the last quarter of 1955, the year as a whole should prove to be a profitable one despite unfavorable aspects in certain sectors of the nation's economy.

Frank E. Felt

The automobile industry should experience a decline in output occasioned by the overselling last year, thereby satisfying the future needs of prospective buyers.

Residential construction will be less but as an offset Government, public and commercial construction will show an upward trend.

While some concern may be felt on the increase in personal borrowing, it can safely be assumed that Federal Reserve monetary authorities will not hesitate to adopt any restrictive measures necessary, and they are to be commended for steps already taken to curb inflationary tendencies.

Banking will participate with industry in the prosperous conditions this year and year-end results should be cheering.

Bank deposits will be at a higher level as a result of high employment and wages, increased dividend distributions and a possible reduction in Federal Income taxes, thereby permitting increased loans and investments.

Until there is evidence of a slackening in business activity interest rates will remain high.

Business and banking can have a confident attitude as the new year begins.

A. R. FISHER

President, Johns-Manville Corporation

Nation-wide construction expenditures in 1956 should reach the huge total of $65½ billion, an all-time high, and exceed 1955's banner year by over $3 billion, present forecasts indicate.

New construction, alone, will probably account for more than $44 billion, while modernization, remodeling, repairing and maintenance of existing structures will account for more than $21 billion in 1956.

Barring developments outside the building field, and assuming a record total national output of goods and services of around $400 billion in 1956, the construction industry should account for well over 16% of all economic activity in the United States. It is now by far the nation's biggest industry, not excepting agriculture or defense.

While residential construction in 1956 may drop off slightly from 1955's 1,250,000 home starts to around 1,200,000 new homes such a drop will merely build a housing backlog for the following year.

In many non-residential building classes we are apt to see in 1956 sharp increases over the already big volume of 1955.

So urgent is the need for expansion and further modernization of the nation's industrial plant, that $2.8 billion may be spent for new factories alone in 1956, a 17% increase over 1955.

Commercial construction will keep on booming, reaching almost $3.5 billion in 1956, a 14% increase over 1955.

A great deal of non-residential construction has lagged behind home building and is badly needed to serve already existing new dwelling projects. In 1956, therefore, a 15% increase in church building, a 12% increase in social and recreational construction and at least an 11% increase in sewers and watermains, are expected.

It is in highway construction that expansion is particularly urgent. This giant sector of the construction industry will account for around $4.6 billion in 1956 and may even touch the $5 billion mark.

Surpassing all other segments of the construction industry picture, however, is the modernization, repair and maintenance market of over $21 billion which will account for about one-third of total construction volume in 1956. It is the most underestimated of all branches of the construction industry.

To keep adequate and up to date our existing housing plant of close to 50,000,000 dwellings will require expenditures of approximately $10.7 billion in 1956. This, of course, includes the rapidly growing "do it yourself" construction which has become so important a feature since World War II. And it includes heavy modernization of old homes to keep them competitive in the housing market with new ones.

Old dwellings are often so obsolete in design, layout, electrical wiring, plumbing and in innumerable other ways that thousands of owners have no choice but to modernize or see them stand vacant.

It is in this type of housing where vacancy ratios are beginning to run up. The answer to obsolescence can only be modernization.

Naturally, a building boom that has been going on for years is subject to minor ups and downs. However, far from being over, the building boom, in long-range terms, has just begun to hit its stride. It has behind it tremendous expansive forces that are literally transforming this country. The greatest of these is population growth. By 1970 the United States will have a population of over 200,000,000 people for whom adequate residential facilities must be supplied.

Our birth rate has risen 50% since the 1930's, changing the economic picture of the entire country. In the 20 years between 1920 and 1940 the number of children under 14 actually decreased by 640,000. But in the 15 years from 1940 to 1955 the number increased by almost 15,500,000.

This spectacular increase in population growth is having a more dynamic effect on our economy than any other single factor. Its result is that everything in this country is, or will become, too small.

The other gigantic force that is driving our economy forward is the rapid advance of technology. It changes everything and its result is to make everything obsolete—our factories, stores, dwellings, schools, highways and nearly every other type of structure.

Combined, population growth and technological advance are forcing a volume of construction beyond anything the United States has ever known.

Every year since 1949, more than a million homes have been built annually, and this will continue because population growth, demolition and housing obsolescence demand them.

In 1956, at least 800,000 new homes will be required for new family formation alone. This, combined with the replacement of demolished homes, now proceeding at the rate of 250,000 to 300,000 each year, will assure the construction of well over a million new homes next year.

Actually, family formation is no longer the only important factor in housing demand. Migration is another tremendous force. People are moving from the older parts of the United States into the newer and less developed regions in the South and West and into the industrial Great Lakes cities.

So great has been the flood of migrating people that considerably over half of all new homes erected in 1954 were in the South and West and, undoubtedly, this will be true this year and in 1956.

But the greatest wave of migration, and one that is continuing, is to the suburbs. In the five years between April, 1950 and April, 1955, the country's 168 standard metropolitan areas accounted for almost all of the country's growth. But that growth was seven times as fast in the suburbs of these metropolitan areas as in the central cities themselves.

For the first time in the country's history a true home replacement market is developing. This replacement market is stimulated by the fact that fully half of all American families have an annual income of $5,000 or over. That income permits a family to carry a $12,500 dwelling. For this price the typical American builder is giving his customer something so attractive that it is pulling people out of old homes into new ones at a sensational rate as compared with pre-World War II patterns.

While there has been some tightening of mortgage money with a consequent effect on home building, the Federal Reserve System is as anxious as anybody to maintain a very high volume of construction because it is prosperity's greatest single prop.

ELIOT G. FITCH

President, Marine National Exchange Bank of Milwaukee, Wisc.

Prospects for 1956 seem bright both for the economy as a whole and for banking. A basic factor is the expansion program of industry, particularly of steel production, which not only entails a vast outlay for production facilities but carries with it the increase in production in the minor metals and outlays for heavy equipment. Electric power continues to expand and estimates of housing starts are set at only slightly below 1955. All of these figures add up to much larger backlogs of orders than have been seen since the end of Korea and continued high level of Gross National Product.

Eliot G. Fitch

What, then, is there to dim this bright picture? The very factors which make banks prosperous (larger loan volume and higher interest rates) constitute and are the symptoms of that danger. Inventories which declined through most of 1954 have increased substantially in 1955 and commercial and industrial loans are up $4.2 billion over Dec. 31, 1954, to a total of $27 billion. Consumer credit has increased $5 billion and has reached an all-time high of $30 billion. The Federal Reserve has instituted a tight money policy, the rediscount rate having been increased from 1½% at the beginning of the year to the present 2½%; while the bank's prime rate has gone from 3% to 3½%. What, then, of the consumer? He has bought more automobiles the past year than ever before and has just indulged in the greatest Christmas buying spree in history. Is he about to wake up with a hang-over? If he feels less sure of his job, will he not tend to stop buying and reduce his debt? New automobile stocks on hand are at an all-time high and may not the producer of cars or other consumer goods take a new look at schedules and start cutting back? Either of these factors could have a marked effect on consumer purchases and result in a slowing of our economy. It is hard to say which might be cause and which effect, as they are so closely related as to create action—reaction or, to use the modern phrase, chain reaction. It happened in 1949 and again in 1953-4. The question is when, and how severe will it be?

EDMUND FITZGERALD

President, The Northwestern Mutual Life Insurance Co.

We are especially optimistic about the first six months of the year—as are most businessmen and economists. The outlook for the last six months is less predictable.

More moderation in inventory accumulations is desirable. Consumers have been building up their debt inventory too rapidly, while businessmen have been acquiring inventory faster than sales have been expanding. If a better balance is achieved, there will be less pressure on prices, and changes in business activity will be subject to smaller swings.

Edmund Fitzgerald

Consumer disposable income should carry through equal to or perhaps 4 or 5% in excess of 1955. Insurance sales will continue at a record pace and investment opportunities for the insurance industry will be in very substantial volume. There will be ample money available for credit-worthy individuals and meritorious business and public projects. Rates will still be low compared to historical interest costs. However, long-term rates may be a bit higher than in 1955. It will be much easier to obtain long-term capital to finance essential projects than it will be to obtain the necessary steel and cement required to build the projects.

I can't say that 1956 will be a better year for all—but I'm sure that for all it will be a good one.

R. L. FITZGERALD

Editor, "Boot and Shoe Recorder," Chilton Company

Shoe manufacturers in all branches of the industry are looking forward to a further increase in sales and production in the first half of 1956, in spite of the fact that 1955 will go down in shoe history as the industry's peak year up to now. Retailers of popular price shoes are budgeting their buying on the expectation of an increase in dollar sales approximating 10% in the first half of next year, according to Jack M. Schiff, President of the National Association of Shoe Chain Stores. Part of this increase will be derived from a slightly higher average sales check in shoe stores next spring and summer, reflecting increased wholesale prices of footwear. Population increase and a growing shoe consciousness on the part of the public are expected to constitute other contributing factors. Shoe manufacturers generally share the retailer's view that the coming season will show an increase in the dollar volume of shoe business, and a majority of them also look for increased production in terms of pairs. While both manufacturers and retailers are loath to forecast possibilities beyond the middle of 1956, a "Recorder" survey results of which have just been tabulated indicates that more than 75% of the manufacturers believe the industry in 1956 will top the antitcipated 1955 total of 575 million pairs. The Department of Commerce is somewhat more conservative than the industry and some of its experts vision the possibility of a slight decline in the latter half of '56.

Shoe prices on the spring lines have been increased on an average of slightly under 10% at the factory, reflecting increases in wages, including the higher minimum wage, and increased rentals for shoe machinery, also higher material costs. There is some difference of opinion as to how great will be the effect of higher prices on sales, but the majority of retailers and manufacturers expect little adverse reaction. An important factor contributing to increased sales at the factories is the opening of new stores, especially in the shopping centers that are spreading so rapidly in all sections of the country.

ANDREW FLETCHER

President, St. Joseph Lead Company

Starting the year on a moderate note with monthly consumption in the low 90,000's and with ample supply, the lead market in 1955 gathered momentum with the increase in general industrial activity. During the past year the zinc industry reached an all-time high for consumption of over 1,050,000 tons. Government stockpiling in both metals removed any threat of surplus and depleted unsold smelter stocks, which are today at a minimum.


Andrew Fletcher

Although many 1956 forecasts indicate a further rise in the Federal Reserve Index, it is believed that consumption of both metals will approximate that of last year, namely 1,200,000 tons of lead and 1,050,000 tons of zinc. Greatly improved foreign consumption has been recently reflected in the London metal market price of £126 for lead and £105 for zinc. As the United States is dependent upon imports, the domestic prices were forced upwards to 16½¢ per pound for lead and 13½¢ for zinc. However, even these improved prices will not result in abnormal profits for domestic producers, because of the greatly increased cost of domestic production resulting from higher wage and material adjustments.

The basic problem which the domestic mining industry faces, especially as it pertains to lead and zinc, is that on the average these metals can be produced cheaper outside the United States than inside. From a free trader's point of view, the simplest solution is to shut down the high-cost U. S. mines when foreign production is once more considerably higher than consumption, pay the domestic mining companies a subsidy for the resultant shut-down loss, and then buy the required tonnage in the cheapest market—with the resultant dollars foreign nations could buy U. S. manufactured articles, automobiles, etc. However, domestic production of metals is needed for the economy and defense of the nation—in fact, President Eisenhower's Cabinet Committee on Minerals Policy has recognized "that a strong, vigorous and efficient mining industry is essential to the long-term economic development of the United States" and Washington has further stated that the market prices of lead and zinc must be at levels "that are sufficient to maintain an adequate domestic mobilization base."

With this background, it is believed that the free trader's solution should be disregarded, and a way developed for maintaining the domestic mining industry, which would be equitable to producer and consumer alike. Miners in the United States are appreciative of the strengthening of the domestic market prices of both lead and zinc by the government purchase for stockpile of the surplus stocks, resulting from unneeded imports. It must be recognized, however, that a permanent program, not a temporary expedient, is needed, because domestic production has not been materially increased. It is hoped that in 1956 the producers and consumers, working with government representatives, will develop a workable program.

HARLAND C. FORBES

President, Consolidated Edison Co. of New York, Inc.

A continued high level of economic activity this year should enable Consolidated Edison to match the level of growth achieved in 1955.

Electrical sales for the 12 months ended Nov. 30 were up 6.9% over the previous comparable period. A similar comparison shows gas sales up 4% and steam sales up 4.9%.


Harland C. Forbes

Our business continues basically to be a reflection of present business conditions rather than a portent of future prospects. While we can normally expect a stable growth, some developments deserve special mention.

The burgeoning air conditioning load and a stepped up rate of installations of gas space heating equipment accounted in part for the rise in sales. Air conditioning is becoming a must in the city's apartments and offices. We are already benefiting from our promotion of adequate wiring for both old and new buildings. Continued activity along these lines promises even greater growth in electric usage.

The 1954-55 heating season, while the coldest in seven years, was still warmer than normal. However, last month was the coldest December since 1926. Should forecasts for a cold winter continue to be realized, the effect on our gas and steam sales will be good.

Even more important to the growth of the gas business is the rise in installations of space heating equipment. In 1954 there were 5,734 such installations connected to our gas mains. Installations in 1955 jumped more than 2,000 above the 1954 mark. Since gas rates were adjusted late in the year to make gas competitive with other fuels for space heating, expectations are that installations will rise even higher.

Demand for residential construction in Queens and Westchester remains strong. Apartment construction will be heavy above 14th Street on the East Side. Office building construction in the midtown area has not slackened and shows signs of spreading to the lower end of Manhattan.

Our own construction budget for 1956 is expected to reach $120,000,000 compared with about $95,000,000 spent this year. Much of this money will be spent to continue adaptation of our electrical distribution system to growing summer loads.

We added one large generating unit to our system in 1955 and have announced plans for two 335,000 kilowatt machines to be built in the next few years.

These machines are in addition to our proposed 250,000 kilowatt machine for our nuclear electric generating station at Indian Point. Discussions have continued during the year with the Atomic Energy Commission and we hope that a permit to construct a reactor at Indian Point will be forthcoming soon.

FRED C. FOY

President, Koppers Company, Inc.

Koppers Company, Inc. will invest approximately $25,000,000 in 1956 to continue a five-year expansion program launched in 1955.

Investments during the year will be made through acquisition, in the expansion and improvement of existing facilities, and in the construction of new plants.


Fred C. Foy

Approximately $25,000,000 was invested by Koppers in 1955 in acquiring six different companies, in expanding and improving existing plants and for addition of new plant facilities.

Companies Acquired by Coppers

Companies which became a part of Koppers in 1955 included: the F. X. Hooper Company, Inc., of Glen Arm, Md., a nationally known manufacturer of machinery used by the corrugated shipping container industry; American Aniline Products, Inc., of Lock Haven, Pa., fifth largest manufacturer of dyestuffs in the United States; Kuchler-Huhn Company, Inc., of Philadelphia, Pa., a leading manufacturer of mechanical seals for rotating shafts in jet engines, gas turbines and other high-speed, high-temperature equipment; Turner & Haws Engineering Co., Inc., of West Roxburgh, Mass., makers of a special line of filters for cleaning industrial air or gas; Industrial Sound Control, Inc., of Hartford, Conn., designers and manufacturers of industrial noise control equipment; and the Feather River Plant of the National Wood Treating Corporation at Oroville, Calif., where wood products to be treated include utility poles, railroad ties, piling and fence posts.

In addition, Koppers purchased 80% of the common stock of Durethene Corp., of Chicago, Ill., makers of polyethylene film and tubing as well as the production facilities of the Brainard Steel Division of Sharon Steel Corp., Warren, Ohio, for the manufacture of anti-checking irons used in railroad ties.

Related to Koppers Operations

All of the companies purchased by Koppers were engaged in the manufacture of products closely related to Koppers own operations.

Four of the companies were assigned to the Metal Products Division carrying out company policy to continue diversification of the Division's activities to offset declining defense contracts and to stabilize employment. Two of the companies were assigned to the rapidly expanding Chemical Division whose sales in 1955 topped all other divisions' sales for the same period. The production facilities for making anti-checking irons for railroad ties were assigned to the Wood Preserving Division. While large numbers of these anti-checking irons are used by that Division, substantial amounts also are sold to others in the wood preserving industry. The purchase of the National Wood Treating Corporation plant at Oroville, Calif., expands Koppers wood preserving operations on the West Coast begun in 1954.

Highlights of Year

Some highlights of the year were:

The company purchased all of the government-owned facilities adjacent to its Koputa, Pa., plant including butadiene units, a steam and power producing plant, a water treating and pumping plant, docks, coal handling facilities, office and laboratory facilities, and plant maintenance shops. Under the contract, Koppers has agreed to keep several of the butadiene units in standby condition so that this chemical may be produced if desired by the government.

Koppers officially announced that it is exploring activities in the nuclear energy field and established the Nuclear Products Section of Central Staff Production Department.

Early in the year the company installed a new laboratory to offer advanced scientific services in agglomeration for the iron, steel and ore industries.

Joining with The Firestone Tire & Rubber Company and certain Brazilian interests Koppers helped form a new company to construct and operate a styrene monomer plant at Cubatao, Brazil.

For testing and developing new products for utilization in various fields the construction of a new development laboratory was begun by the Chemical Division adjacent to its newly-opened development plant at Kobuta, Pa. It also gives the Division an opportunity to develop improvements or modifications of existing products and processes.

Koppers Research Department and Chemical Division developed and introduced a new "toughy" in the field of plastics—an improved polyethylene plastic named Super Dylan polyethylene. Properties of the new improved plastic include high heat resistance, rigidity, good surface quality and broad color possibilities.

Operations of the new multi-million dollar polyethylene plant at Port Arthur, Texas, was begun the latter part of the year.

Koppers dedicated a new wood preserving plant in the Roanoke Valley at Salem, Va.

Plans for a joint venture to construct and operate a Ziegler-type polyethylene plant on the Pacific Coast along with Brea Chemicals, Inc., a subsidiary of Union Oil Company of California, were announced in November.

At the end of the year Koppers had a backlog of orders well over $100 million.

WIRT FRANKLIN

Producer of Crude Oil, Ardmore, Okla.

For domestic producers of crude petroleum and natural gas, the year 1956 begins with two important items of "unfinished business" brought forward from 1955. These two matters involve the policy of the U. S. Government as to (1) imports of foreign oil, and (2) Federal control of natural gas production.


Wirt Franklin

During the past year, the Government took positive steps in the direction of preventing excessive oil imports and restoring free competition in the production of natural gas. President Eisenhower's special Cabinet Committee recommended that imports should not exceed their 1954 ratio to domestic oil production, in the interests of national defense. The same basic policy was adopted by the Congress in amending the Trade Agreements Act so as to authorize the control of imports whenever they threatened the national security. Thus, for the first time in many years, both the legislative and administrative branches of the Federal Government adopted a positive policy to prevent excessive imports from undermining essential defense industries such as oil production.

The Government's decisions as to oil imports provide a basis for solving this difficult problem during the coming year. Unfortunately, however, imports have continued to increase as shown by the following comparison with domestic crude oil production:

	United States Imports Crude Oil and Refined Products (barrels daily)	Ratio of Imports to United States Crude Oil Production (percent)
Year 1954	1,052,000	16.6
Year 1955 (Prelim.)	1,240,000	18.3

It will be seen that 1955 imports of crude oil and its products averaged 1,240,000 barrels daily, establishing a new record and exceeding the 1954 relationship to domestic production recommended by the President's Cabinet Committee.

A few large companies control most of the oil produced

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in foreign areas, particularly the almost unlimited reserves developed in Middle East countries. If the importing companies continue to increase their shipments at the expense of domestic producers, the United States inevitably will become increasingly dependent on distant and uncertain sources for the oil supplies so essential to national defense. The year 1956 should decide whether those companies can voluntarily maintain imports in proper balance with domestic output, or whether the Government policy established in 1955 must be implemented by direct Federal action to restrict oil imports.

The second item of unfinished business is also vitally important to the nation's future petroleum supplies. The production of natural gas has been regulated by the Federal Power Commission during the past year as a result of a court decision that placed a new interpretation on the Natural Gas Act of 1933. The stifling effects of this Federal control are already apparent with the number of new gas wells drilled declining about 10% in 1955. Concrete evidence is already available to show that Federal regulation of such local activities means less gas for the consumer. Decreasing supply, of course, leads to higher prices.

Legislation to correct the misinterpretation of the Natural Gas Act and restore free competition in gas production was passed by the House of Representatives in 1955 and, at this writing, is pending in the Senate. This legislation involves a basic principle of government—the fundamental question of government control over business activities that have none of the characteristics of monopoly or utility operations. Control over gas production would lead to control over other producing industries. Such policies violate the fundamental principles of the American economic system.

Domestic producers of oil and gas have the ability to keep the United States strong and secure as to petroleum supplies. They will continue to do so in 1956 and in the years ahead if the Government continues to maintain and make effective the policy of preventing excessive oil imports and insuring unregulated competition in the finding, developing and producing of the nation's petroleum resources.

EDWARD M. GAILLARD

President, The Union & New Haven Trust Company, New Haven, Conn.

As one of the main functions of commercial banks is to serve the financial needs of individuals and corporations, especially to supply them with loans to finance their requirements, the state of general business at any given time has an important effect upon the activity and prosperity of such banks. Commercial banks derive their chief income from interest on loans and investments. When business activity increases, the demand for loans increases and money rates rise. After a moderate dip in late 1953 and the first half of 1954, business activity started up again about mid-1954 and has continued at an accelerated pace up to the present time. As a result, 1955 has been a period of rising interest rates stemming from the unusually strong demand for loans and Federal Reserve policy of keeping credit tight to resist inflationary pressures in the economy. So long as this boom continues, the demand for credit and capital will be great and money rates will remain tight.

Edward M. Gaillard

The business boom has now reached record levels in almost all lines, and while business activity continues upward, the rate of acceleration is currently at a slower pace than prevailed in the first half of last year. It would appear that the boom cannot continue indefinitely at the rapid pace set during 1955 and, indeed, this is just as well, for it has been sparked to a large degree by an increase in personal borrowing, some features of which are not sound. The Federal Reserve authorities with the cooperation of the Treasury have already applied the brakes to a considerable extent to prevent the boom from getting out of hand and to restrain inflationary forces. While business will undoubtedly continue at a high rate of activity well into 1956, there is reason to believe that this activity will level off some time during the first half of that year. When this happens, the Reserve authorities will ease their policy of restraint to keep the economy on an even keel and to prevent a downturn in business. In this event, the policies they will adopt will tend to ease money rates.

Therefore, while it is impossible to predict the timing, I would expect the demand for money to continue strong, with interest rates about at present high levels, possibly slightly higher, during the first half of 1956. At about midyear I would look for some tendency of business activity to drop off, accompanied by a change in policy by the authorities to ease money rates. Our economy is basically sound and bolstered by long-range plans for large capital expenditures by private corporations, huge outlays by states and municipalities for roads, schools and other public works, together with the prospect for some increase in defense expenditures and foreign grants. I would expect, therefore, that any decline in business activity would be moderate. However, the demand for business loans will, in all probability, show some decline with an accompanying softening of interest rates. Under these circumstances, bond prices would rise, offering banks the opportunity to take capital gains on securities acquired this year when bond prices were low.

I expect operating income of banks to be somewhat higher for the first six months of 1956 than for the corresponding period of 1955, and I think that the reverse will be true for the second six months. On the other hand, I expect that expenses will show a sharp increase during the entire year, mainly as a result of higher wages and salaries, with the result that net operating income of the average commercial bank for the calendar year 1956, as a whole, will be somewhat less than that of 1955. Profits from the sale of government securities in the second half of 1956 may well offset this difference so that the amount added to undivided profits should be comparable in the two years.

WILLIS GALE

Chairman, Commonwealth Edison Company

Nineteen Hundred and Fifty-five was a good year for Commonwealth Edison Company.

While final figures are not yet available, it appears that our kilowatthour sales of electricity for the year will be at least 10% above 1954. This is accounted for by a resurge in our sales to industrial customers coupled with continuing steady increases in our sales to residential, rural and commercial customers.

Willis Gale

We added at least 48,000 new customers in 1955 compared with 44,777 in 1954. The bulk of these were residential.

What about 1956?

Many indicators point to the fact that our business will not only continue to be good but will be better than in 1955.

The use of electricity cannot help but grow with our population gain. Since people use electricity, more people will use more electricity. Further, we can expect increased use of electricity by our existing customers.

Our industries are becoming more and more mechanized.

Competition is forcing air conditioning and modern lighting into more and more stores and offices.

More and more electricity is being used for a variety of new appliances in the home and on the farm. Residential air conditioning is really catching on. Electric cooking and clothes drying are in greater demand all the time. Proof of the recent rapid increase in home air conditioning is evidenced by the fact that we experienced a peak load of 3,359,000 kilowatts last summer. This was 75,000 kilowatts above our peak load of the previous winter. We expect a duplication of this trend in 1956 with even higher peaks.

Electric output seems to be a good barometer of business generally. On the basis of today's electric output by Commonwealth Edison, we can see nothing but a high level of business activity in 1956.

B. C. GAMBLE

President and Chairman, Gamble-Skogmo, Inc.

It is readily apparent that the business pace set in the fourth quarter of 1955 is being maintained, and every indication is that we should continue at this high level of activity at least through the first two quarters of this year. Gross National Product will come very close to reaching the $400 billion rate sometime in the early part of the spring season.

In making any forecast, careful consideration must be given to both the plus and minus factors. On the plus side, we should have a high rate of employment, a high rate of consumer expenditures, and a high rate of capital investment. These are certainly strong factors in sustaining our economy at about the present level at least up and through the spring season. Among the minus factors, especially in our area, most prominent would be Farm Income which has been steadily declining over the past two years. There is no evidence that it will improve in the early months of this year. This is a particularly disturbing factor for retailers operating in the farm areas. There has been a continuing increase in the ratio of consumer debt to income which, while not yet at a dangerous level, certainly is not likely to continue. This could have an adverse effect on the sale of durable goods, especially in the heavy appliance field.

B. C. Gamble

Up to this point, there has been no important accumulation of inventory such as has occurred in previous boom periods, and the likelihood that there may be some further accumulation in the first six months would suggest an influence adding to the present high level of activity. The fact that there is likely to be some price increases during the early months of this year could set the stage for a faster rate of inventory accumulation than has existed up to this point. It would be unfortunate if businessmen permitted these price increases to create an unhealthy inventory situation that always proves costly in a period of downward adjustment.

The likelihood of some decline in automobile production as compared to last year should certainly be considered a negative factor, although some part of this decline should be offset by a continued high level of capital expenditure. It would seem at this point that there is a great possibility that we may reach the crest of our boom sometime in the late spring season. Some industries are presently operating at full capacity of their plant facilities, which imposes a ceiling and will prevent any further rise in their activities for the present.

The net of these plus and minus factors would indicate a probable rise of 5% increase in sales over last spring with a tapering off of the high level of activity in the summer months. It is hardly likely that we will level off and form a plateau at the crest of the current boom. Rather, there should be some modest drop in the activity but not of any appreciable proportions. Any prediction for a period beyond six months is very difficult because of the many political and international factors that cannot be accurately forecast, particularly in an election year.

PAUL S. GEROT

President, Pillsbury Mills, Inc.

I believe that the factors necessary for an expanding food market will be present and continue to exert their influence in 1956 as they have in 1955. These factors are an expanding population; a sound economy; and an increasing public awareness of the importance of good nutrition.

Paul S. Gerot

Also contributing to the continued expansion of the food market will be the public's demand for new, interesting and more convenient foods; the acceleration of research in food technology; and the application of new techniques in food packaging and distribution.

You can hear forecasts of population growth on all sides these days. Currently we are increasing in this country at the rate of 4,000 new and hungry babies every day. Logically, the food industry will continue to expand with the market.

We have every indication that our economy will remain basically sound during the coming year. People have more money for selective spending than ever before. Traditionally, this has meant that they would pay for more built-in convenience in the foods they buy.

Our public press and universities have done an excellent job of educating the American public to the importance of good nutrition. Along with this has gone a continuing effort on the part of the food industry to increase the nutritional value of processed foods. This effort has succeeded so well that Americans in 1956 will enjoy the most nutritious diet in history.

Food products in 1956 will reflect innovation. The American housewife wants the excitement of presenting interesting and different meals to her family. This means that the food industry will build excitement as well as increased convenience into its new products.

I believe that the industry will spend more on research in 1956 than ever before. Much of this will be spent on research to improve packaging and distribution. To get the attention of the housewife and win her support, advertising and marketing campaigns will have as much innovation in them as the product being presented.

Finally, I predict that with so many food manufacturers developing so many new products, competition for the housewife's dollar will reach a new level of intensity. We, in this country, think that's healthy. In fact, it's the underpinning of the great growth and progress we all foresee.

A. PHILLIP GOLDSMITH

President, Julius Kayser & Co.

Sales of well-advertised, timely-promoted, and quality-merchandised brand name women's hosiery have every opportunity of increasing by 15-20% in 1956.

Our firm, now one of the largest U. S. manufacturers of branded women's hosiery, believes, however, that while aggressively promoted brand names will make substantial progress, lesser quality lines will lose out if they fail to make any real contribution to the industry and continue aimlessly with the dealer. For, we are convinced, more and more women are turning to the purchase of stockings that are fashionable, wearable, bearing brand names that can be trusted, and sold to them as fashion accessories rather than on the basis of a commodity at a "price" alone.

The Kayser hosiery lines, which include Kayser, Holeproof—which we acquired in 1955, and Fruit of The Loom Fine Nylons, will be more extensively advertised and merchandised than ever before . . . and we are convinced that this is the trend that all brand name manufacturers will have to follow in order to solidly build for the future.

In our opinion, the most salient problem faced by manufacturers to increase profits in 1956 is a need to better understand costs and price goods accordingly. Because too little thought has been given to proper pricing and adequate merchandising, too many manufacturers simply let their mills run without considering how their output can be properly sold at a profit. Such lack of proper planning means that frequently the market has an over-abundance of goods off-season, goods which cannot be properly promoted and sold. Result—neither the maker nor the retailer really gains the most effective results . . . volume without a profit to both.

Our own firm is attempting to constantly improve this situation by better study of manufacturing controls, improved statistical record-keeping together with more effective planning. This, plus smart and timely presentations through our staff of sales experts to pre-sell dealers—dealers who have come to see that our methods serve to soften up their customers and make steady, repeat buyers out of them.

From the retailer viewpoint, we believe the major selling needs for 1956 are the development and promotion of merchandising ideas. This should precede any emphasis on price. Retailers must become aware that their real earnings will come from products that can be effectively promoted, that will bring in customers again and again, and that will provide a fair return for time and effort expended and valuable space utilized. Too often, profit is judged by mark-up on the price lists alone. Hosiery, if it's to have its right place in retail selling picture must be judged on the basis of the customers it brings in for repeat sales, the turnover of sound inventories, and the profits resulting therefrom.

Too many retailers believe price promotions are the answer to more stocking volume. They may move dozens, but they don't create the profits or the customer reception and confidence they are seeking. We believe retailers should run hosiery promotions at least once a month. Twice during the year, these projects should assume the appearance and proportion of extravaganzas, built around fashion and timely themes, seasonal themes, packaging ideas.

All these steps would be designed to make hosiery-buying exciting . . . to point up that stockings are the essential fashion accessory for every woman's wardrobe.

Where price cuts are employed by a dealer, we believe there should be no compromise with quality. Such reductions should be limited simply to making them a sampling technique to bring in customers and build a following for a given brand rather than a straight volume builder which actually produces little. If department stores, specialty stores and small retailers compete with the price tool alone too often, they are merely playing into the hands of super-markets, drug outlets and premium sellers who have nothing to offer but price. Such stores can also sell at prices lower than legitimate stores which offer a range of service and wide assortments, to say nothing about dependability.

During 1956, we believe manufacturers must do an even better job in furnishing ammunition retailers need for effective hosiery promotion. Our own efforts will concentrate on these primary aspects:

(a) Increased national advertising for each of our lines—all linked to specific items and promotions.

(b) More dealer cooperation, both in advertising and point-of-sale material, store merchandising, and service.

(c) Improved packaging to make hosiery more glamorous. Our packages will stress three pairs of stockings instead of one and be designed to encourage buying of hosiery for gifts at various seasons, for travel, parties, etc.

We also believe in appealing to both men and women in selling hosiery, since stockings are often bought as gifts if made glamorous and exciting. One of our Christmas ad campaigns, for example, stressed "How to Be Successful in One Easy Lesson." It showed a man, red kiss planted on his cheek, after having presented Kayser stockings in special gift boxes. Similar material was used as a basic theme for window store displays.

Regarding competition, we feel that in 1956 it will be more difficult and severe. This, however, poses a challenge to brand hosiery makers to come up with imaginative ideas and products in a setting that will excite retailers and, in turn, help them attract consumers. Only if this is effectively done will Mrs. Consumer part with more of her dollars for our industry's articles.

Seamless: As soon as seamless production starts to pass demand, we believe there will be a re-creation of the full-fashioned situation. More demand for the seamless product will have to be created . . . and manufacturers will have to improve their quality and merchandising machinery since too many inferior seamless stockings are already showing themselves on the market. Customers will not take mediocre products simply to have seamless stockings. It will take all of the selling ingenuity the industry can command to do the job right so that again our friend the consumer will come around to buy with confidence.

Full-Fashioned: Perhaps because manufacturing processes for full-fashioned hosiery are far and away more complex than seamless, many manufacturers (to keep their organizations going) have produced without regard to planned selling.

We believe it essential that the industry during 1956 should pull together and effect an over-all merchandising and public relations program. This should stress the advantages of full-fashioned stockings . . . the inherent sound quality of the product and its better fit qualities . . . the attraction that thin seams have . . . how they make slim and not-so-slim legs look lovelier . . . the fit of the heels, the better comfort and wear in the foot, the decorative tops, and other advantages exclusive with full-fashioned stockings that provide glamour where the girls most want it because the boys look for it there.

If these merits are stressed over and over again in an over-all program by the industry and individual manufacturers, and dealers because it will pay them to do so, there can be good full-fashioned business for everybody at a profit. Only in this way will the price situation too be improved so that at each level, and we carry it right back to the machinery manufacturer, there will be an equitable distribution of the bettered profit margin.

Stretch: While stretch stockings do give sheerness and attractiveness on the wearer, they do not exhibit these qualities on the selling counter and in the boxes. There is promise held out for a bettering of the product both for quality and appearance, and in our opinion stretch stockings will contribute about 25% of the total hosiery volume, that is, full-fashioned hosiery volume, in 1956.

Mergers: We believe that this will strengthen the position of progressive brand name producers when those merged have come from a combination of strong firms, each with specific advantages to offer. Simply grouping together the weak and the lame who lack know-how and merchandising vehicles would not necessarily give them strength. It is not unlikely that some smaller mills will find themselves in a precarious position because of these mergers. The smaller more alert and resourceful mills, however, will find a special niche for themselves with the couturier houses to stress certain fashion aspects and ideas generally that give them individuality and personality. They may not be able to compete on a mass basis but can on an exclusive basis if they plan for and have the tools for such a program.

Summary

Branded hosiery manufacturers must take the leadership in the field. They must first create a better environment for their product and cause it, through sound public relations work, to secure respectability that is its due. Stockings can only be made on very expensive machinery installations that are likewise housed expensively in meticulously weather-controlled buildings: considering that the article is as extremely important as it is to a female population that is on the increase, it occurs to us that such a need ought to come with better economics for the elements that produce and market it. Manufacturers, once again, must create the promotions that will be useful to retailers to bring in good traffic and earnings to their stores.

There will always be sharp-shooting and competition because of the very nature of our industry and industry generally because of the comparative range in size between enterprises and ambitions under the fine American democratic system. There are managers of businesses who are content to run them one way, with less gain, and at the same time with no eye to building for the future. Then, there are those who put the character of the structure they are building ahead of the immediate gain elements because they have it in their dreams to do it their way, and they know that jobs well done and businesses well built pay off soundly in the long run. The low and no-profit nomad seller will find it tough to compete with the manufacturers who prepared for today's competition with an organization that knows the score, has up-to-date machinery, with better-quality products and alert merchandising.

JOE T. GRANT

President, First National Bank in Sioux City, Iowa

J. T. Grant

Sioux City is located in the heart of a rich agricultural area and our business prospects here are determined to a great extent by the success of farm crops and cattle and livestock prices. We were in a drought area this year and crops were very poor and with livestock prices continuing to decline, the outlook for this area during the coming year is not too favorable. It is our opinion that our own local area may suffer a decline of from 5% to 6% in volume.

LEWIS GOTTLIEB

President, City National Bank of Baton Rouge, La.

The movement of industry, especially the petroleums and chemicals, to the Gulf South has brought a period of continuous economic expansion from which our area has benefited greatly. The general boom times of the national economy plus the industrial and population growth in this vicinity sent records tumbling right and left during 1955, so that most businessmen will be satisfied if 1956 can be as good as the year just ended. Fortunately, most signs indicate that the new year will be good to the Baton Rouge area.

Standard Oil has already announced one $1½-million addition, and Kaiser is to build a $60 million plant on the Mississippi River midway between here and New Orleans. Numerous other active industrial firms are looking for locations in this vicinity. The national outlook for the major industries in our area is most favorable. I am, therefore, optimistic in my outlook for 1956.

Although Baton Rouge is now primarily an industrial city, we are affected by the conditions in the outlying agricultural areas. Falling farm prices and bulging inventories are rapidly leading to a crisis that can have an adverse, but probably not decisive, effect on the general trade of our area.

The banks of this area have prospered and should continue to prosper with our general growth. But here, too, the problem of the farmer must be considered, for the banks dependent on farming and crop loans cannot look to 1956 as hopefully as those in the industrial communities.

It is not my intention to go into the general outlook for banking earnings, interest rates, and other general economic factors influencing bank operations and policies, but I feel that some note should be taken of the possible impact of the new minimum wage law on bank costs. This law will affect most strongly the smaller banks in the agricultural communities which unfortunately have been accustomed to obtaining clerical help at salaries below the new dollar-an-hour scale.

In general, we have enjoyed several years of good economic conditions, steady growth, rising incomes, and increasing levels of business activity. Although our rate of expansion may decline from the record-breaking levels of 1955, I believe 1956 will see a continuation of the growing economic well-being of our area.

A. E. GRAUER

President, British Columbia Electric Co., Ltd.

The year 1955 in British Columbia was one of exceedingly high levels in business activity and employment and the prospects are very good that business will be even better in 1956. Construction and capital expansion in the business sector of the economy appear likely to surpass last year's records, stimulated directly or indirectly by the great forest industry's continuing drive to convert from a saw-mill economy to one where the keystone is integrated forest use and sustained yield, and where the most spectacular manifestation is heavy investment in new pulp and paper capacity. Pipelines, railroads and transmission lines are being built to open up new areas in response to rapidly growing demands for natural resource products. An expanding population demands more roads, schools, hospitals, bridges and other expenditures of a social nature. Retail trade and secondary industry, reflecting the prosperity of the basic industries, can look forward to a good year in 1956.

A. E. Grauer

Consumption of electricity in the B. C. Electric system—a good barometer—in the past year increased 15% and there are no signs of a change in trend. To meet this situation, the B. C. Electric has budgeted for an expenditure of $75,000,000 in 1956.

As far as the utility industry is concerned, the chief problems likely to be encountered in 1956 will center around possible scarcities of certain materials and possible delays in deliveries of equipment.

LEONARD GREEN

President, Dr. Pepper Company

Final figures will not be available for another month but most persons closely connected with the soft drink industry feel that 1955 was the best year of the past several. At our company, we believe strongly that 1955 set the pattern for 1956 and that this new year will be a truly outstanding one.

Leonard Green

We believe this for several reasons, all based on facts we have before us. First, there is a growing trend among soft drink bottlers to improve their profit margins on the products they sell. The most significant price adjustment since World War II are occurring in the mid-Atlantic states, the heart of the highest soft drink consumption in the nation. Thus, as bottlers increase profits, they have more funds to invest into the expansion of sales through more advertising, more promotions and better over-all programming.

Secondly, new packaging promises greater sales to the vast home market. Sales of soft drinks through cartons of six and 12 bottles now account for about one-half of total industry volume. With all of the major companies introducing new, bigger bottles in 1955, even more home market sales are anticipated in 1956.

These new packages are merely new tools for our industry. Soft drinks still must be sold on a product basis. But we believe the new packages will make that selling job easier. Our company alone has some 20 different types and sizes of containers, including bottles, cans, cartons, cases, and vending machines. We believe each of these packages has its place in our marketing program because there is a need for each among individual consumers.

New developments in vending hold much promise. Pre-mix vending equipment is likely to make its biggest showing to date in 1956, and present vending equipment is being improved constantly.

Our industry has made much progress in the past few years. It still has a long way to go for we believe that soft drinks are one of America's most under-merchandised, impulse products. People average drinking about one soft drink every other day in this country. We know that could be doubled easily and if we merchandise our products properly, people could enjoy drinking two or three each day—six times as many soft drinks as now. We expect to move closer to that goal in 1956.

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WILLIAM L. GREGORY

President, Easton-Taylor Trust Co., St. Louis, Mo.

We are just finishing the longest boom period in the history of the country which, of course, has been due largely to inflation and the backed-up demand for goods caused by recent wars. Contrary to expectations of a few years ago, we have also had an unusual increase in population.


William L. Gregory

Inflationary dangers have been augmented by deficit financing and by efforts of the government to maintain what it calls prosperity. The government has powerful tools in monetary management and fiscal policy to continue a boom beyond the time where it normally would have been terminated by natural forces. Despite the desirable objectives of maintaining high levels of employment and business, it is my opinion that the government cannot indefinitely restrain natural economic forces particularly with abuses in credit such as we have observed in consumer financing and in financing real estate developments. Pressure on the money supply is quite obvious at this point. Further inflation would add to the dangers, which is apparently recognized by our monetary managers.

In view of these facts I believe 1956 will be a prosperous year for banks but that they should use all possible efforts to restrain their customers from overoptimism, unreasonable investments in fixed assets, and general increase in debt. With the tightening of the money markets, banks will receive higher rates of interest for both investments and loans, and they should consider this a warning to maintain a proper balance in both investment and lending policies against some possible readjustments in the entire economy.

F. S. HALES

President, Nickel Plate Road (New York, Chicago and St. Louis Railroad Co.)

The railroads expect the current high rate of business activity to extend well into 1956 in view of the continuing demand for consumer products and the constant production of new kinds of consumer items.


Felix S. Hales

In the past year the automobile, steel and construction industries spurred production which exceeded original predictions. Any change in the rates of activity in these industries will have an effect upon the railroads' business, although new products should help sustain output.

Contributing to the 1955 record Gross National Product was the full-scale output of new automobile models late in the year after a shortened changeover period. Automobile manufacturers estimate that the industry may not equal in 1956 the sales record of the past year. Nevertheless, the industry is proceeding with plans for plant expansions, and this program should, in part, offset a possible decline in home building. The automobile production rate will determine to some extent the demand for steel, but at the year's end steel output, although near theoretical capacity, failed to keep up with orders.

As a result of the consumer buying wave, consumer credit has reached an all-time high. The rise in credit and recent lower prices for some farm products may be regarded as caution signals in the economy, but predictions for even greater employment and production in 1956 temper concern over these conditions.

The expanding economy has created a need for additional rail equipment to meet transportation requirements. In 1955, the Nickel Plate Road received or placed orders for new locomotives and freight cars which cost approximately $17,000,000. Received during the year were 150 50-ton all steel box cars and 32 diesel-electric road switching locomotives of 1,750 horsepower. Orders were placed for 500 additional 50-ton all steel box cars, 50 diesel locomotives of 1,750 horsepower and five diesel locomotives of 1,800 horsepower. This equipment will be delivered in 1956. The Nickel Plate also expects to build 100 flat cars in its Ironville, Ohio, shops during 1956, provided steel is available.

The Nickel Plate has, moreover, undertaken the design of special cars to meet specific requirements of some shippers. Under this program, the road developed a car for easy loading and safe handling of steel coils, and another car for the transportation of forgings in wire baskets which can be loaded or unloaded quickly by fork-lift truck. Trailer-on-flat-car, or piggy-back, service was expanded to provide convenient, door-to-door handling of freight to an increasing number of cities.

These services have helped the Nickel Plate to meet competition in the transportation industry. The Nickel Plate and other railroads could further improve service to the public if freer competition prevailed among the various forms of transportation.

A Presidential Cabinet Committee has recommended greater competitive freedom within the transportation industry in the belief that it would benefit the public and the economy by producing lower transportation costs. It is hoped legislation to implement the recommendations contained in the report of the Cabinet Committee will be passed by the Congress in 1956.

CHARLES W. HALL

President, The Oneida National Bank & Trust Co. of Utica, N. Y.

Reporting from Utica, N. Y., an industrial community located in the heart of New York State, the business of banking is one in which you are privileged to come in contact with business in general and makes it possible for you to measure the economic tone of business within the area that you are serving.


Charles W. Hall

Our banking institution is serving both industry and agriculture. As we look ahead into 1956, industry in this area is planning a year of good volume and steady employment. There is some question as to what the year will bring from profits as raw materials and cost of production has increased during the past several months and, therefore, in 1956 profits are not expected to be any greater than in 1955.

Commercial building and home construction have been at high level and will continue as such. All of the available skilled labor is having full employment and the expectancy for 1956 is that there will be a shortage of men to meet the needs of these contractors.

This area is in the heart of a great agricultural section of New York State and it is the hope of the people looking to this part of our economy that some way will be found in 1956 to increase the rate to the farmer for the result of his labor. This is a national problem and one that is giving our governmental leaders much concern.

The high level of industrial employment and production is making for very staple retail sales. The excellent wage levels have given confidence to the people, and cash sales and instalment buying have been divided for favorable balance. Instalment credit is in excellent condition and 1956 gives expectation of a year for general good business in this area.

W. S. HALLANAN

President, Plymouth Oil Co.

At the beginning of the new year it is painfully obvious that there is nothing wrong with the domestic oil industry that an increase in the price of crude will not cure. From the standpoint of demands and production, 1956 promises to be another banner year for the industry. So far as reserves, productive capacity and facilities are concerned, the industry can meet the expected increase in demand without strain. However, it can do so, only at very real peril to the reserve and supply picture of the future unless there is a realistic adjustment of the price of crude.


W. S. Hallanan

The harsh economic reality is that in meeting the record demand for petroleum products through the post-war years, the domestic industry has sold goods off the shelves at a price far below replacement costs. The industry cannot blind itself to the fact that a large portion of the current crude production comes from fields that were discovered and developed some ten to thirty years ago, when finding costs were in many cases only one-tenth of those prevailing today. As a consequence, the "profits" shown by purely domestic companies in recent years has been of the bookkeeping nature and are dangerously deceptive.

Industry cannot continue indefinitely to maintain adequate resources and productive capacity unless the prices of its products bear some reasonable relationship to replacement costs. Without such price adjustment, the industry's ability to maintain adequate reserves for productive capacity to meet the projected demands for the next decade will be seriously imperiled.

K. B. HATCH

President, Fire Association of Philadelphia

As we look forward to 1956 in the property and casualty insurance business, there are several significant developments on which comment might be made:

First, with the exception of the windstorm business, the rate levels in other major classes trended downward during most of 1955—and there is every indication that this will continue into 1956 if the present experience pattern continues.


K. B. Hatch

Second, competition on personal lines, such as insurance on homes, automobiles, personal property, and personal liability became increasingly intense in 1955, with the result that the cost of acquiring such business increased materially. The full effect of this increase will not be felt until 1956 but it is obvious that the industry in general will reflect an increased expense ratio due to this trend.

Third, the problems arising out of the automobile business continue to be of major concern to the industry. The question of payment for loss to persons and property resulting from uninsured motorists has become not only an insurance problem but a political one as well in many jurisdictions. In addition, the increased participation of the direct writer and the specialty companies in this important division of the insurance business has called for a reappraisal by agency companies of their traditional method of operation. The need for agency companies to more vigorously merchandise their wares is increasingly evident.

With respect to the investment side of the business, 1955 was an excellent year and there is every reason to believe that 1956 will again be a satisfactory year from this standpoint. The Fire Association Group enjoyed the highest investment income in its history in the year 1955.

With respect to companies in the Fire Association Group, 1955 was marked as a year in which there was intense activity to obtain a larger share of the Home-owners business and to increase our participation in the business in areas (principally rural and small communities) in which, traditionally, we have not enjoyed a large portfolio of business. This latter development is a continuing one, which arises out of a program instituted several years ago for the purpose of spreading our business on a broader geographical basis with a more balanced classification.

As we enter 1956, we find the industry in the throes of intense competition which we, in Fire Association, feel fully prepared to meet. Our financial position is the soundest in the history of the organization and we enter the New Year with optimism and enthusiasm.

I. J. HARVEY, JR.

President, The Flintkote Company

The high rate of industrial activity and the increased interest of the American public in their homes should result in substantial business for the construction industry in 1956, particularly since there are indications that mortgage financing may become more readily available. This industry, in common with the consumer goods industries, must also anticipate the impact of new family formations which may be reasonably expected as we approach the end of the decade and this factor will be given weight in our merchandising and manufacturing plans.


I. J. Harvey, Jr.

The recent emphasis on new construction has tended to increase the backlog of potential modernization and repair work for which our company's products enjoy a wide market.

HAROLD H. HELM

Chairman, Chemical Corn Exchange Bank, N. Y. City

The 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.


Harold H. Helm

The long-term outlook for banking is one of greater opportunities. An increasing need for bank credit is obvious. The lending of funds promises to be more remunerative than has been the case for the last twenty years. While interest rates have advanced, the cost of borrowing money has increased less than have other business costs.

The Administration in Washington deserves praise 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.

WILLIAM A. HEWITT

President, Deere & Company

For the farm machinery industry the long range outlook is good; the outlook for 1956 is as good or better than for 1955 in spite of the haze surrounding some especially interesting and confusing problems.

Most important in the outlook is the current high level of competition among manufacturers in the development of higher powered tractors and more efficient and easier handling farm machinery. No period in the whole history of the industry has seen such a high rate of development. This fast pace of machine development to aid farmers in cutting their costs will continue in 1956.


William A. Hewitt

Agriculture, as well as the farm machinery industry, has been increasingly competitive in recent years. The forces of competition, together with the artificial and natural forces characteristic of the agricultural industry, have resulted in lower prices for most farm products and have made it mandatory for every farmer to reduce his unit costs. The only ways to do this are by purchasing and using more efficient farm machinery, applying more and better fertilizer and the employing of the best agricultural methods.

The competition of American industry for labor in recent years has raised wages so high as to make the hiring of help almost prohibitive for many American farmers. Farmers, as a result, have substituted machinery for labor since the prices of farm machinery in terms of labor costs have declined nearly one-half since 1940. Recent industrial wage increases indicate that this trend will continue. The good farmer finds it prudent, therefore, to buy new and more productive farm machinery, even in the face of declining farm prices if his yields can be increased proportionately.

To make their operations more efficient, the better farmers are finding it advantageous to increase the sizes of their farms. It is mainly through this practice that the family farm will survive. In the process the marginal family farms will disappear. The resultant bidding for acreage has increased the prices of farm lands in recent years, and creation of larger farm units increases the demand for new and more efficient farm machines.

The outlook for farm machinery sales in 1956 could be affected by the political warfare which will go on during the year. A biennial psychological cycle related to Congressional elections seems to be occurring in the agricultural machinery market. In seeking ways to obtain votes every two years, candidates for public offices make their bids by telling the country how badly off the farmers are. This occurred in 1954; the Korean situation masked it in 1952; and there were signs of its occurring in 1950 before the Korean War. It is true beyond question that prices received by farmers have declined steadily for nearly five years, but increased yields and reduced costs per unit of product have been important offsetting factors. It is entirely possible, however, that the effects of the biennial bidding for votes may have such a strong negative reaction that even the farmers who have the capacity to buy may delay their purchases.

Cash receipts from farm marketings have also declined for four consecutive years, but other income to farmers from nonagricultural sources (off-farm employment, rentals, investments, royalties, etc., estimated to total about $6 billion in 1955) has in part offset this decline. As a result, the total cash income to farmers continues at a high level, though down about 9% from the 1952 peak and 2% from 1954. These declines are small compared with those based on the decline in net farm income estimated by the U. S. Department of Agriculture and so frequently quoted. Good farmers, like good businessmen, buy their equipment and other production requirements out of their cash income and borrowing capacity and not out of their net income. Although cash receipts from farm marketings are expected to decline slightly again in 1956, other income to farmers will probably increase.

On a per capita basis, income to farmers is likely to be close to 1955 levels or higher. Good farmers will continue to buy what they need to maintain their capital and competitive positions.

Early indications reveal that the new year is getting off to a good start. Inventories appear to be in good balance, although there are signs that the recent introduction of new tractor models by some manufacturers may have temporarily resulted in excess stocks. If an effort to clear these stocks by sharp price cutting should develop, an almost complete cessation of sales of farm machinery to farmers might follow.

All factors considered, 1956 has the prospects of being another good year for the farm machinery industry.

JOHN E. HEYKE, Jr.

President, The Brooklyn Union Gas Company

The gas industry today represents one of the most startling changes in American enterprise. In just a few years the complexion of the industry has shifted so smoothly and efficiently that to the majority of the nation's gas customers, it has barely been noticeable. And what makes this shift especially outstanding is that it is centered about the activities of the local gas utilities, businesses whose distribution networks probably make them the most permanently planted companies in the country.

John E. Heyke, Jr.

Any discussion of the gas business naturally centers around natural gas, the prime mover in this changing industry. Natural gas has been poured into the iron veins of gas companies in almost every section of the country. Only the Pacific Northwest has not felt the effect of this natural resource and transmission lines are inching their way into that territory right now. Close to 3,000 miles of transmission line were completed in 1955 and another 1,500 miles were being built at the end of the year. The vast majority of the nation's 29,000,000 gas customers have been affected by the industry's new ability to distribute natural gas without being aware that great changes had been made.

But only the ultimate customer has been relatively unconcerned with what has taken place. He has benefited in most cases by being able to heat his home with gas at extremely attractive rates. But every segment of the industry has felt the change far more dramatically.

The oil and gas producers have found vast markets for what was once a useless by-product of oil production. As a result each year they have located proved recoverable reserves which have more than offset the tremendous growth in consumption.

The transmission pipeline companies were virtually unheard of only a few years ago. Now, they are popular investments for stockholders and in many areas they are participating side by side with the gas utilities in the development of new markets for the gas produced thousands of miles away.

But probably the greatest change in the industry has been with the local gas utility. In the past the gas company was concerned with the manufacture of its product and the sale and distribution of what it could produce within its own franchised borders. Today these companies have become the sales arm of the entire industry and many manufacturing plants have been all but dismantled or converted to the production of peak-use gas.

The gas utility has a stake in a nationwide industry that it never had before. The local distributor depends for its product on producers located a thousand or more miles away, and on the pipelines which deliver the wholesale product.

But producers and pipelines are also dependent upon the local company because it is the sale of gas by the distributor on which the entire industry depends for its source of income. As the ultimate point of sale, the distributing utility is now directly accountable for the health of the industry.

The sales efforts for 1955 have been indeed outstanding. New records were set in the number of gas customers, up 3.8% over 1954, and in the consumption of gas, up 8.2% over the previous year. In Brooklyn Union's territory where we have distributed natural gas since 1951, send-out last year was up almost 10% over the year before. This meant increased sales for pipelines and producers as well.

Although 1955 was a colder than normal year, most of the added consumption was the direct result of substantial load addition. New load added during 1955 by Brooklyn Union, for example, exceeded the year before by between 25 and 30% through the sale of all types of gas appliances. This load growth was made possible because of two rate reductions this year: one, a reduction in residential rates of about 10% for house heating users, and two, a reduction of about 19% in the rates for firm off-peak sales. This latter rate change affected the sale of gas for summer water heating and spring and fall fringe heating for apartment houses and for industrial customers.

For gas companies to continue to sell increasing volumes of natural gas it is essential that the rates they offer customers can continue to be stable. As salesmen for the industry, the utilities can only make sales at reasonably firm prices, and their ability to do so will have its direct effect on all segments of the industry. Although the natural gas producers may make independent sales direct to certain industries, these sales are not large enough to support the producers and, of course, they will not help the pipelines. Therefore, the health of the gas business depends on growth at the utility level, and this development of load is of mutual benefit to distributors, pipeliners and gas producers alike.

What was once the manufacturing function of the gas utility is now taken over to a large degree jointly by pipeline companies and the gas producers. Brooklyn Union and most other local gas companies are not in favor of fixing the price producers charge any more than they would have expected to be able to manufacture gas at a set price indefinitely. Yet our local companies must be able to purchase gas in a competitive market just as we would be able to produce gas ourselves from other fuels under competitive conditions.

Right now the two ends of the transmission pipelines are involved in an internal dispute. The natural gas producers favor passage of legislation which we believe would be harmful to our interests, to our customers and to our ability to continue as the sales force of the industry. The Fulbright bill to amend the Natural Gas Act would remove the producers from Federal control, but would not provide for any adequate means to remove the sting of escalation clauses designed to eliminate competition in the producing fields and to secure the highest price the traffic would bear. The producers, on the other hand, believe that continuation of Federal control for any length of time whatsoever will stifle the exploration for new sources of supply.

Fortunately, industry sales have been high enough to help absorb large increases in natural gas prices that have already occurred. However, the industry must be able to purchase natural gas under truly competitive conditions in order to operate more than half a million miles of pipeline profitably and continue to aggressively merchandise for the health of the industry as a whole.

Our hope for 1956 is that the gas industry will continue to expand at its present high level of sales. For the industry, we are also seeking the defeat of the present Fulbright bill. But we also agree that if the harmful escalation clauses were voided in existing and future contracts between producers and pipelines, there would be little need for Federal Power Commission regulation of gas producers. Under such circumstances those of us who are purchasers would know exactly what we were buying over the life of a contract and could calculate the economics accordingly.

F. M. HICKS

President, Gulf, Mobile and Ohio Railroad Company

The railroad business, of course, depends on the prosperity of the shipping public and we are not in position to accurately forecast the extent of this. Based on current trends, however, we do not feel that 1956 is going to be another 1953, but we do believe it will be as good and possibly slightly better than 1955.

We are very much concerned with the effect that the burdensome governmental award made in the latter part of December to the non-operating brotherhoods will have on net income for 1956. Unless we are permitted by the Interstate Commerce Commission to increase our rates immediately and at the same time cut our expense of operation down further, then we face the possibility of our net income for 1956 being reduced approximately one-third.

CHARLES W. HOFF

President, Union Trust Company of Maryland, Baltimore, Md.

The year begins on an optimistic note. Not only are the usual barometers favorable, but a feeling of confidence prevails in business circles. This momentum does mean that the year ahead will be free of serious problems. On the contrary there are elements of uncertainty — including the attitude which will exist between labor and management, a balanced budget, farm price, appropriate inventories, control of inflationary or deflationary forces and the ever-present and difficult approach to an understanding of the Russian objectives.

Charles W. Hoff

The diversification in our local manufacturing with emphasis on the heavy industries gives relative stability to the Baltimore economy as compared with the more noticeable fluctuations characteristic of specialized centers. Many of our manufacturing concerns are providing plant additions for enlarged and more economical production, and our smaller businesses and retail establishments are benefiting proportionately from the overall prosperity. Also, there is an increasing volume of foreign trade passing through our port. However, we, like many other cities, have the problem of traffic congestion and transportation which will require careful planning to prevent the decline of values in the downtown area.

The present strong demands for money offer no reason for reduction in interest rates, and banks generally may expect the continued profitable employment of their funds.

Barring some disruption of the economy in the election year, and without any unfavorable foreign developments, we should look to the months ahead with the expectation of a wholesome and competitive business period, but during which the general activity will possibly level off rather than continue its accelerating pace.

DAN W. HOGAN, Sr.

Chairman, City National Bank and Trust Company, Oklahoma City, Okla.

Oklahoma is one of the few states known as "the Southwest." We have had our ups and downs in 1955. Early rains which filled our lakes and ponds to overflowing were followed by a drought which almost ruined our wheat crop. Our state ranks usually as the second largest wheat producing state in the United States. This great loss was largely offset by the largest and best cotton crop produced in 50 years. In the west half of Oklahoma, which is a long state east and west, there are many thousands of acres of tillable land underlayed by an abundance of pure water. In recent years, many farmers have taken advantage of this water supply through an irrigation sprinkler system with movable aluminum pipes, using it for the production of cotton, grain sorghums, and peanuts. The output of these crops this year was quite profitable since the grain sorghums were used in trench silos as well as for the grain for feeding of livestock and poultry.

Dan W. Hogan, Sr.

The low prevailing prices for cattle and hogs and higher prices for farm machinery and equipment has been hard on the farming and ranching interest of this agricultural and livestock state. However, as the year closes we find that financial conditions are better than one might expect under the circumstances.

Bank obligations have been met promptly, a reasonable standard of living has been maintained, and an outstanding number of new automobiles has been purchased and largely paid for during the year.

Copious fall rains enabled farmers to put out a larger winter wheat crop than the average, which so far is up to a good stand with an estimated production of wheat for 1956 of over 64 million bushels.

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HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Company, Greensboro, N. C.

With full employment at high wages, the prospects for 1956 appear excellent. The life insurance companies and their field organizations are concentrating on continuing to give the agent the best training possible so that he can furnish to his clients the most intelligent program for their personal and business life insurance needs.

Howard Holderness

With the agent becoming constantly better qualified, it is my opinion that the prospects for the sale of life insurance are excellent and, even with the large increase of sales in 1955, a further increase will be shown in 1956.

I believe that there is a good chance of home construction declining during 1956, but an increase in public construction should offset this to some degree. I also feel there will be a decrease in automobiles being produced in 1956 as compared to 1955. I feel, however, that the over-all prospects for the year should be very good, particularly the first half.

J. M. HOUGHLAND

President, Spur Distributing Co.

There seems to be little doubt that the consumption of petroleum products will increase during the year. The profit for the retail dealer upon gasoline will probably not follow the upward trend of consumption. Competition in this branch increases in intensity and as 1955 draws to a close there are a number of large markets which are very much disturbed. A condition has developed and is prevalent all over the continent, which makes it possible for one filling station to create a price war which may extend through populations of several hundred thousand. Despite the outlook for disturbed markets, however, the average profit doubtless will be comparable to 1955.

J. M. Houghland

B. G. HUNTINGTON

Chairman, The Huntington National Bank of Columbus, Ohio

B. G. Huntington

In Central Ohio, industry is running at a high rate; unemployment is low; and outlays planned for new plant and equipment are high. Inventories have been rising rapidly, but probably will fall over the year-end. The price of steel scrap is up, and the price of hogs is down. Industry is optimistic, and many farmers pessimistic.

High industrial production, high prices, and tremendous expansion in the housing field all suggest caution.

J. G. HUNGERFORD

President, National Trust Company Limited, Toronto, Canada

The high level of business activity in Canada during 1955 should be reflected in Canadian trust companies' statements when these appear in the early part of this year. Assets under administration by trust companies, which may be used as some measure of public confidence and general business conditions, will doubtless reach record totals.

J. G. Hungerford

Present indications point to buoyant market conditions continuing well into 1956. Political and economic factors outside this country could cause fluctuations, but long-term growth possibilities should still be available in Canada.

If rising economic activity continues in the United States, this should result in an increase in exports, particularly of products from Canadian mineral and forest industries. This in turn will require increased capital expenditures in 1956 to meet these additional demands and to find new sources of supply.

Foreign investment in Canada is likely to continue its upward trend, not only for direct investment in new plants and new industries but in the purchase of equities of existing companies engaged in Canada's basic industries.

The practice of many United States companies in establishing stock transfer facilities in Canada to meet the growing needs of Canadian investors seems likely to be further extended during 1956.

CHARLES L. HUSTON, Jr.

President, Lukens Steel Company

Our nation has just completed its greatest year of economic activity. More people were employed in 1955 to produce more goods and services than ever before in American history. Likewise, the steel industry in 1955 set a new production high of over 116 million tons of steel ingots, or some 30% more than 1954.

C. L. Huston, Jr.

For 1956, the picture of the over-all economy and steel as a major part of it looks bright. Three major factors bolster the prediction that the steel industry this year may well equal or surpass its 1955 record year:

(1) The industry has substantial backlogs of unfilled orders, due to high demand all through 1955;

(2) High-level production by major consuming industries will carry forward;

(3) These major consuming industries will continue to rebuild their inventories.

It is generally forecast within the industry that major producers will operate at near capacity for the first six months, and that in many areas new peaks of activity will be attained.

The same industry forecasts predict at least a 7% increase in the plate market where Lukens traditionally has been one of the leaders. On this basis, Lukens foresees an increase in business during 1956 over its more than $79 million of net sales for 1955.

Lukens will continue to concentrate in the growth industries that use its carbon, alloy and clad steel product. Among leading customers are the petroleum refining, chemical, petro-chemical, electrical power, national defense, food, pharmaceutical and atomic energy industries.

As regards Lukens' 1956 outlook by major product lines, demand for clad steels should be up as the petroleum and process industries continue to expand. (A clad plate is produced by inseparably bonding a thin layer of a more expensive alloy surface metal to a moderately priced carbon steel backing plate.) A pick-up is expected also in the markets for alloy steel, such as the new T-1 plate material which is demonstrating fine construction qualities. An increase is foreseen in the use of heavy carbon plates for the automobile industry's press program, the freight car building program, and the shipbuilding, construction and electrical equipment industries.

Lukens looks back at 1955 as another year in a continuing expansion program that has seen over $33 million invested in new facilities and improvements since 1945. Recently completed additions, such as the new $10½ million alloy plate finishing facilities, have been running satisfactorily and are expected to operate at a high rate during the year. Plant expansions, as well as programs of business diversification and new product development, will be carried forward in 1956.

To Lukens, and to all the steel industry, increased business will demand increased steel-making capacity. The industry is constantly expanding its capacity, as a recent wave of expansion announcements will confirm. Some 150 million ingot tons of capacity are foreseen by 1960—or 22 million over the present rated capacity.

Much of the increased capacity will come through enlargements of present facilities and improvement of production methods. The money for expansion generally will come from three sources: (1) Retained earnings; (2) New Equity capital; and (3) Borrowings.

Steel equities are gaining increased recognition in the market place because of their improving earnings' record and steel's solid, long-term outlook. However, steel prices, depreciation charges and earnings must trend substantially upward to attract and provide the capital for the new plants and facilities that will enable the industry to meet the nation's future steel needs.

CURTIS M. HUTCHINS

President and Chairman, Bangor and Aroostook Railroad Company

Because the traffic pattern of the Bangor and Aroostook differs so sharply from that of the railroad industry in general, I am always a little reluctant to comment on the industry's outlook. We originate 72% of our tonnage and these originations fall almost wholly into three categories —paper, pulpwood and potatoes. A high percentage of the tonnage received is in petroleum products for which the demand is relatively stable.

Curtis M. Hutchins

It will be obvious from this that the fluctuations in the output of steel and of manufactured goods have little effect on the freight revenues of the Bangor and Aroostook.

Hence while it is my personal opinion that the first six months, at least, of 1956 should be good ones for the railroad industry as a whole, I say with much more assurance that I believe the entire year will be a good one for the Bangor and Aroostook. To be sure, this thinking is based in part on the hope and expectation that we will get some relief, through increased rates, from the heavy burden of added wage costs. In our case they run to almost $500,000 which is a large sum indeed for a railroad whose operating revenues for 1955 will run around $13 million.

However, we do go into 1956 with three factors in our favor—we have no deferred maintenance of either roadway or equipment, our equipment is unusually complete and largely new and we can reasonably anticipate increased tonnage over 1955 despite any downswings in the national economy.

CHARLES C. JARCHOW

President, American Steel Foundries

American Steel Foundries has been in the business of producing steel castings and other heavy goods since 1902. Prior to the end of World War II, railroad products made up more than 90% of its volume. Since that time the company entered the machine tool and hydraulic machinery business. It also entered the precision roller chain and sprocket field by acquiring Diamond Chain Company, Inc. and the field of coating and wrapping steel pipe for the gas and oil industries by acquiring Pipe Line Service Corporation. About one-half of net income in the fiscal year ended Sept. 30, 1955 was attributable to this diversification program.

C. C. Jarchow

The railroad products consist of freight car trucks, freight car wheels, freight and passenger car couplers, braking equipment for freight and passenger cars, and other component parts for rolling stock. In the 1955 fiscal year, there were only 31,000 new freight cars delivered to the railroads and, as a result, shipments of railroad products were considerably below normal. In recent months, the railroads have placed orders for a substantial number of new freight cars. On Jan. 1, 1956, there was a backlog of about 145,000 cars to be built. While the rate at which these cars can be built will depend upon the availability of steel, it would appear that 60,000 to 70,000 cars will be delivered to the railroads in 1956. This anticipated increase over 1955 will have a very favorable affect on sales.

We forecast that the segments of our business that are devoted to other than railroad products will continue at a very satisfactory level. The picture for the machine tool field for the future appears bright, the roller chain and sprocket business will continue good as long as the over-all economy continues at a satisfactory level, and we expect that the business of Pipe Line Service Corporation will continue to expand and grow in keeping with the many new gas and oil installations that are contemplated. An increase of 25% to 35% in total sales is anticipated. The over-all increase in sales will favorably affect profits.

Last year we had total capital expenditures of approximately $7,300,000, of which approximately $4,000,000 was for the acquisition of the fixed property of Pipe Line Service Corporation. Capital additions in our current fiscal year could reach as high as $6,000,000.

As we now view forthcoming labor negotiations, we know the demands will be large, but we cannot accurately forecast their size or the effect.

The diversification moves described above have provided a degree of stability that did not exist when the company's business was so dependent upon the volume of purchases by railroads. Income from these diversification steps will undoubtedly be larger in 1956 than in 1955.

In summary we expect good volume and profits in 1956.

P. M. JARVIS

President, Swift & Company

More meat, increased consumer demand, and full meat industry employment keynote the 1956 outlook for the meat packing industry.

In total, meat output in 1956 may reach or slightly exceed 27 billion pounds as compared to 26.8 billion pounds in 1955. Population growth, however, will hold consumption per person to a little under 160 pounds.

P. M. Jarvis

Livestock growers enter 1956 with a generally plentiful supply of feed grains and forage crops and with prospects for somewhat lower feed costs. However, this favorable factor is offset to a greater or lesser degree by the very sharp drop in prices which has taken place in the past few months as a result of very heavy marketings of livestock. There is a good consumer demand for the materially increased supply but at sharply lower prices. In many cases this has worked a severe hardship on producers.

The rather rapid expansion in our population and improvement in the standard of living are encouraging from a long-time standpoint to the livestock grower.

It is significant that consumers are demanding more and more of the high protein foods. The livestock and meat industry in 1956 will be better equipped than ever before to meet these growing protein requirements in consumer diets. More pounds of lean-trim pork are in the offing for 1956, as well as more tender-grown poultry. Somewhat fewer pounds of veal and lamb seem probable, with beef supplies remaining at or about the same level as in 1955.

Handling the expected 1956 volume of meat output will require virtually full employment in the meat packing industry. This in turn means suppliers, as well as rail and truck lines, can expect a continuing demand for their products and services.

Emphasis on research is clearly indicated by competition and new demands from consumers. The trend toward "convenience" foods requires a constant search for new and better methods of cutting, trimming, cooking, and packaging of meats. 1956 will see the meat packing industry exerting increased efforts in the direction of developing improvements in meat preparation, packaging, merchandising, and selling.

J. B. JESSUP

President, Equitable Security Trust Company, Wilmington, Del.

In 1955 the country as a whole made new all-time records in Gross National Product, full employment and disposable personal income. Delaware participated fully in these results and exceeded the national average in many respects. Delaware, while one of the smallest States in the Union, is the fourth fastest growing State. New Castle County is said to be the fastest growing county east of the Mississippi.

J. B. Jessup

We share the composite opinion of many economists and businessmen that 1956 should be an excellent year for the nation as a whole—perhaps even slightly better than 1955. However, there may well be a less rapid rate of growth and a smaller net gain in various important indices. It is quite logical to expect seasonal swings in the economy and some contraction in automobile production and home building. Delaware's banking structure, although composed of only 33 separate banks, ranks third in the nation with respect to capital funds as related to total liabilities. Delaware banks ended the year with an all-time high in savings and demand deposits and total capital funds.

Delaware shared in the increase in business and bank mergers which was notable throughout the nation. The effect of these mergers in our area has been beneficial, particularly in respect to increased competition.

Bank loans in Delaware, as throughout the nation, are at record levels and there is no apparent evidence here of a slackening in the demand for loans in the near future. The growth in consumer credit may not continue at its recent pace, but a slackening in the rate of growth would not be unwelcome. The quality of instalment credit, as to cash equity and term of repayment, should receive even closer attention by the lending agencies, if Federal regulation is to be avoided and if credit losses are to be held to the present reasonable level.

In the Wilmington area the retail Christmas trade was 17% above 1954. The retail sales outlook for 1956 is good in Delaware, with employment and payrolls at new high levels.

The construction industry in this State should have an even better year than 1955. The volume of industrial, utility, school and highway construction should more than offset an anticipated decline in home building.

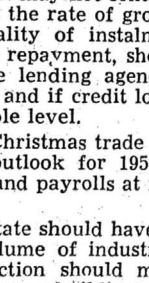
Agriculture in Delaware fared somewhat better last year than the national picture as a whole, in both gross and net farm income. This relative position should continue through 1956. The ability of the farmer to reduce costs and improve his production efficiency may determine the net income picture in 1956. Broiler production in Delaware, an important part of our agriculture, does not have too favorable an outlook this year; here in particular cost control and efficient operation may well be the key to 1956 results.

The strategic location of Delaware in relation to mass markets, her record of stability, her simplified tax structure, high per capita income and other favorable factors make the 1956 outlook for business and banking in this State a bright one.

J. E. JONSSON

President, Texas Instruments, Incorporated

Our sales volume reached an all-time high of approximately $28,500,000 in 1955, its 25th anniversary year, and we expect to set a new record in 1956, with earnings above the very satisfactory level of 1955. The programs of the world's major oil producing companies indicate that the trend to foreign geophysical exploration for petroleum will continue. The geophysical exploration activities of Texas Instruments, conducted through Geophysical Service Inc. and its world-wide affiliates, set a new record in 1955, with most of the increase accounted for by foreign operations.



J. E. Jonsson

Effectiveness of skilled personnel must be increased to explore these large new areas. "Seismation"—the application of automatic electronic instruments and techniques to seismic exploration—will fill this need to the benefit of both exploration and instrumentation. Texas Instruments' geophysical instruments are manufactured by subsidiary Houston Technical Laboratories.

The trend to transistorization of electronic equipment, now firmly established, will result both in increased sales of semiconductor products and expanded activity in commercial and airborne electronics systems design and manufacture. In the electronics industry, 1955 will go down as the year in which the long-heralded transistor began to find widespread commercial application.

Semiconductor Products division sales—of which transistors were the dominant factor—were up over 300% in dollar value last year. Texas Instruments has firmly established its nationwide lead in transistor development and manufacture, with its germanium transistors being used in the majority of the brands of transistorized radios now in production. At year-end, for the second straight year, it remained the exclusive commercial source for high temperature silicon transistors.

Sales were up in most Texas Instruments divisions in the year just past, and I can see no reason why this trend will not continue. Contracts already on hand promise another high level year for our Apparatus division, where military electronics equipment is manufactured, and this should also be reflected in the sales of our Components division.

Current military backlog is some $14,000,000, about the same amount as last year at this time. The Components division, which manufactures the basic "building blocks" for electronics systems, will be operating from a broadened base for all of 1956, since it is now in production on carbon deposited precision resistors.

With all foreseeable factors operating in a positive direction, we forecast a very successful—perhaps record-breaking year in 1956 for the electronics and geophysics industries and Texas Instruments.

E. FRED JOHNSON

President, The Fourth National Bank of Tulsa, Okla.

E. Fred Johnson

Viewing the future from the all-time high economic levels we have attained in 1955, we can certainly have every reason to look forward to another successful and prosperous 12 months in 1956. Regardless of whether the new year will establish still higher records for business and industry—and, after all, in any economic climb we must eventually reach a leveling off plateau—we can turn into 1956 with the firm assurance that the nation in general, can continue to prosper and that the American people can, as they have in the immediate past years, maintain their standard of living at a peak the world has never before known.

O. M. JORGENSON

President, Security Trust & Savings Bank, Billings, Mont.

The stock market is saying "All's well with the economy for 1956—at least for the first half." Reports seem to be almost unanimous in predicting another banner year for business. And there seem to be plenty of facts to back up these predictions. Although there has been very little increase in Government spending in 1955, yet the Government commitments for 1956 are still substantial and cannot help providing stimulus to business. Again, in 1956 more than a million housing units will be built. Industrial construction will continue high. There seems to be a large demand for plant equipment, new plants, and plant expansion. There may not be the auto output in 1956 such as 1955, but the figures will be high. Steel operations should continue at present levels. High employment will permit consumer buying as will continued liberal dividend payments, pension payments, unemployment compensation and relief checks.

O. M. Jorgenson

The unfavorable factor in our economy is the agricultural situation. Farm income took another decline in 1955, with farm expenses increasing. The present farm output is more than the present market will absorb. The trend will be lower in 1956 but probably not as much of a drop as in 1955. But the fact remains there is a good demand for farm products, what with good wages and high employment. The surplus is the enigma—due to improved farming methods and mechanization among other things. Congress will attempt to find a solution and will do something about it—whether the solution will be a satisfactory one remains to be seen. It faces a most difficult problem.

The cold war will continue. 1956 will not see a shooting war. Russia appears to have gained advantages in 1955. Perhaps Russia has promised more than she can deliver. We'll have to wait and see. It does create a disturbing element in our economy because a flare-up could take place any time, in the Near East or Korea, for instance.

Out here in Montana we have been enjoying generally good conditions. Agriculture plays a big part in our economy, so we have felt the drop in farm income. But this has been offset to some extent by the oil industry. Exploration and drilling continues and substantial sums of money will be spent in 1956. Oil production has increased and pipe lines have been built, carrying crude to the refineries and oil products to important centers. Some uranium strikes have been reported. Moisture conditions over the state are reported favorable, so we are hoping for an abundance of grass for grazing. Prospects for winter wheat are not as good as last year.

So for 1956, more of the same—our economy still in high gear and with continued high prices. Inflation can be a threat. This is a good time to balance the Federal Budget and that is a possibility. A note of caution should be thrown in for good measure lest we let our economy get out of bounds; and it is a good idea to be cautious when everyone is so optimistic.

Yes, 1956 can be a great year, with high prices, high wages, high production and—high taxes.

FRANK R. S. KAPLAN

Chairman, Copperweld Steel Company

In 1955, Copperweld Steel Company's sales increased 57% over 1954, with earnings before income taxes over four times that of the previous year. Copperweld faces 1956 in the strongest financial position in its history. Because of improved earnings, the dividend on common stock was increased to 50 cents per share for both the third and fourth quarters.

Frank R. S. Kaplan

The increase in sales made 1955 the second highest sales-volume year in Copperweld's history, and might have established a new sales record had the worldwide copper shortage not forced a temporary shutdown of the Wire and Cable Division plant at Glassport, Pa.

A $12,000,000 modernization and expansion program is scheduled for completion in 1957. Launched in October, it will increase capacity, improve quality and broaden the range of products at each of the main manufacturing divisions. Dollarwise, sales increases were realized by the Wire and Cable Division even though operations were curtailed due to the scarcity of copper. Expansion in the telephone, power and railroad industries has created an increased demand for Copperweld wire, strand and rods. Metallurgical research has resulted in a new high-strength No. 14 Copperweld twin conductor to replace open line iron wire in the telephone field. This plastic-covered wire offers construction economies as well as long life, high breaking strength and good conductivity.

Well over $1,000,000 will be spent for improvements at Glassport. Longer continuous lengths of rods and wire will be produced as a result of changes and additions to the rolling mill equipment. The projects also include a water recovery system, now nearing completion. The water, for cooling the rolling-mill and heating equipment, hitherto discharged into the Monongahela River, will be treated for recirculation and valuable copper recovered. Pennsylvania's clean stream laws will receive some very effective support by this measure.

At the Steel Division, production was accelerated by new testing procedures introduced in 1955. X-ray methods are now employed in checking alloy and carbon steel to which lead is added. Shipments of Copperweld leaded steels have more than tripled during 1955. The inclusion of lead in steels improves machinability, permits faster speeds and feeds, provides a finer finish and increases tool life.

The greater portion of the company's expansion dollars will go to this division to improve melting facilities and increase melting capacity to 660,000 tons per year. Additions will also be made to rolling and finishing facilities with the aim of broadening the range of products and increasing volume by about 40%.

In seamless steel tubing products, numerous new sizes were set up in production runs of the new Assel Mill at the Ohio Seamless Tube Division, resulting in new monthly production records.

A still greater range in sizes and products will result from the appropriation earmarked for this Division. The program will provide auxiliary equipment at the Shelby plant which, in 1955, also established a new record in safety.

For the Flexo Fine Wire Division, 1955 was another year of advances in the Electronic Age—and thus of continued demand for large quantities of both Copperweld and copper fine wire essential to so many electronic and electrical applications. Further advances are indicated during the coming year, requiring increased quantities of the specialties of this division.

Copperweld materials, in fact, are in strong demand all over the world. In 1955, copper-covered steel wire and other products were shipped to more than 50 countries by the Copperweld Steel International Company. Licensed fabricators in 16 countries convert basic Copperweld products into finished form for use by the railroads, telecommunication companies and power systems. More than 50 foreign representatives maintain Copperweld's prestige abroad.

All factors considered, I feel that our 1955 record, coupled with the growth requirements of the industries we serve, provide a strong and favorable forecast of Copperweld Steel Company's continued economic health.

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HOWARD KELLOGG, Jr.

President, Spencer Kellogg and Sons, Inc.

After three years of profitless operations the soybean processing industry seems to be emerging from the throes of overexpansion. Beginning with the current crop season in October the supply of soybeans has been adequate for every need. Processors operating at virtual capacity during October, November, and December have experienced sufficient demand for the end products to remove the problem of inventory accumulation. However, there is a rather delicate balance between the potential crushing capacity and the demand for soybean oil and soybean oil meal which has had the tendency of holding the profit to a minimum. Increased usage of the products by virtue of expanding population, coupled with better feeding practices to our livestock and poultry population, would indicate that perhaps slightly better times are ahead.

H. Kellogg, Jr.

Flaxseed crushing has been eminently satisfactory and though many have predicted a decreasing usage of linseed oil over the years to come, nevertheless, I think such predictions are premature. The United States Department of Agriculture is actually forecasting a 5% increase in the disappearance of linseed oil during the current crop season. Even though linseed oil is losing out to other substitutes in the paint field, use of the latter has been restricted to a large extent to interior paints. Further, in the all-important linoleum field linseed oil stands supreme.

Cottonseed crushing lacks Government support this year, there being no program for Commodity Credit Corporation purchase of the oil, meal, and linters. Despite this, crop prices for end products have been satisfactory.

Although dissimilar in many characteristics, vegetable oils are becoming more and more interchangeable. In nearly every instance the co-products of meal can be substituted one for the other. As a result the price of one influences the other. The treatment of support prices of flaxseed, soybeans, and so forth by Secretary Benson has resulted in levels substantially below 90% of parity. Such handling has been in the best interest of the country as a whole. End product prices remain low as a result, assuring maximum utilization of the oils and meals. However, in their adjustment it is essential that the proper relationship between flaxseed, soybeans, and so forth be maintained at all times in order to project a more or less constant balance in the future.

Current crops are adequate in the case of flaxseed and soybeans with an oversupply of cottonseed. Nineteen hundred and fifty-six may see a downward adjustment in cottonseed by virtue of the huge surplus now existing in cotton. At the same time soybeans and flaxseed acreage may be boosted by virtue of shifting away from wheat and corn through Government controls.

The farm picture, upon which the industry is so dependent not only for its raw materials but also for the sale of a large portion of its end product of meal for livestock and poultry feeding, is clouded. The purchasing power of the farmer after reaching an index of 320 (1910-1914=100) in 1951 has been declining ever since and in November stood at 225. An improvement is suggested as new lows in several elements were made during the month and have since turned upward. Secretary Benson's forthcoming program should provide an added fillup. Demand for other of our products by industries such as paint, linoleum, plywood, and food remains at a high level following the pattern of the nation's prosperity.

J. C. KEPLINGER

President, Hercules Motors Corporation

Looking ahead to 1956, there are many encouraging signs to support an optimistic forecast for business in the New Year. However, one cannot completely ignore the cautious warnings of those who apply the patterns of past experience to current trends.

J. C. Keplinger

It is, of course, encouraging to note the present spending and the plans for additional spending by business for new plant and equipment. This, coupled with the high rate of employment and high personal income, creates confidence which is basic in sustaining the present high level of business activity.

On the less optimistic side, there is always the threat of reduced production in certain lines which may not be completely offset by increased activity in others, and this is something that must always be considered in any forecast of future business. Concerning our own operations in the internal combustion engine field, including the manufacture of both gasoline and diesel engines, our sales and output have been increasing and there is every indication that this trend will continue in 1956, unless there should develop a decided change in general business conditions.

The introduction of four new series of gasoline and diesel engines and the investment of more than a million dollars in new and improved tooling is a part of the Hercules program for increasing our volume. We anticipate that these facilities will be in operation shortly after the first of the year.

From available reports, it would appear that the situation at Hercules is typical of the internal combustion engine industry in general.

In the many and varied fields of activities served by the products of Hercules, there is the same high note of optimism which is most reassuring to us as we enter 1956.

JOHN F. KIDDE

President, Walter Kidde & Company

John F. Kidde

Business and industry generally should be at least moderately better in 1956 than in 1955. Purchasing power is high and there is widespread confidence in the outlook so that spending should continue at a high level. The advent of a Presidential election will assure that the governmental moves will be slanted toward encouragement of this situation.

In our field we anticipate a higher level of activity in 1956 because of expanding research and development as well as a concerted effort toward broader markets for our present regular products.

J. P. KILEY

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

Based on the current trend of freight traffic, I believe the year 1956 will show a somewhat higher voluume and that the increase will range from 3% to 5% above 1955.

John P. Kiley

Our improvement budget for the year 1956 involves expenditures of about \$35,300,000, of which approximately \$24,150,000 will be for new equipment and improvements to existing equipment and \$11,150,000 for improvements to roadway property.

Because of increases in wage rates that have been granted our employees during the year 1955, we will be faced with higher operating costs next year.

It is our hope, however, that the Interstate Commerce Commission will act favorably on the petitions to be filed by the railroads for an increase of 7% in freight rates.

H. F. KRIMENDAHL

President, Stokely-Van Camp, Inc.

The more sensitive weather vanes of the general economy may be expected in 1956 to reflect sudden short-term swings. The 1955 reaction to President Eisenhower's heart attack is an example of the type of swing which may occur several times during the near future. Some obvious sources of such movements during the next year are: announcement of President Eisenhower's decision as to his candicacy; choice of candidates at national conventions; granting of some form of Federal tax relief; election outcomes. Such swings may be either favorable or unfavorable, depending on the nature of the triggering vent. And of course the sources of such economic swings may be from other events, in the fields of defense expenditure, international developments, farm crop support program, GAW negotiations, or in a variety of other fields. However, in my judgment such swings can only be superficial. There are two reasons for this conclusion. First, the underlying economy is in too sound a position to be dangerously affected by the events which may be anticipated. Inventories generally are in a balanced condition, capital expenditures by business continue at an annual rate in excess of \$30 billion, employment at the 65,000,000 level maintains a high disposable personal income, and the steady growth of consumer credit firmly indicates a willingness to spend. This is too healthy a picture to be easily disrupted. The second factor is that an air of controlled apprehension has existed for some months. This has had a retarding effect on market and construction optimism that might otherwise have created a dangerously reversible situation. Accordingly I conclude that the basically healthy economy and the absence of unbridled optimism will combine to keep the economic shifts within absorbable limits both as to time and extent.

H. F. Krimendahl

In the food industry the same healthy factors exist, and I expect both for the industry and for my company, a rising volume of sales, and on a profitable basis. In fact the food industry's products have increased their relative value to the American consumer by lagging behind the more rapid all-product rise in prices. The ability of the food industry to offer better and more convenient foods at relatively economical prices, has led to a firm marketing position for all levels of the industry, particularly when oversupplies of processed foods are substantially non-existent.

The most frequently cited soft-spots in the economy are support crop surpluses, possible overproduction in the automobile industry, and high personal credit levels. I find it difficult to believe that any of these can become so uncontrolled as to upset what I expect will be an economically sound 1956. The basic fact is that our Gross National Product continues to rise, and that our population continues to grow and to create effective demand for increased and improved output. Or to put it simply, consumer demand and productive supply are in healthy balance.

LOUIS R. KURTIN

Chairman and President, TelAutograph Corporation

During recent years, the use of communications systems in business and industry has grown substantially. We feel that during the current year, this growth will be maintained and perhaps materially increased.

Many organizations have learned that modern communications systems not only increase the efficiency of their operations, but they also reduce costs and eliminate or at least minimize expensive errors.

Louis R. Kurtin

Previously, there has been a reliance on verbal communication, time-consuming messenger service or typed wire message. Today, through various types of products, written communications can be established that are sent instantaneously over wire. The result is the elimination of the ever present factor of error in verbal transmission and, of course, the reduction in time spent in mailing or wiring the message.

We believe that only the surface has been scratched in the adoption of the various types of written communications systems by business and industry. In our own case, the potential uses and applications of TelAutograph "electronic longhand" equipment are virtually endless in number. While it is true our products are used today by more than 2,500 subscribers representing over 225 types of businesses, present indications are that the use of our equipment can be increased tremendously during the next five to 10 years. It would be difficult to accurately estimate how many opportunities are available to us, but certainly there are hundreds of business and industrial applications which never have been explored heretofore.

Although new business opportunities for our existing types of communications equipment are extensive, we are placing increased emphasis on new product research as a means of further stimulating our future growth. As is the case with many companies in the fields of communications and electronics, we are investing more and more dollars in research and development work. This investment was increased last year, at which time we also expanded our engineering operations.

Some results of this action already are taking place, and we expect to see the emergence of some significant new products from the laboratory during this year. These new products, which are the direct result of extensive research work, will materially add to our sales volume in 1956, and in the years to come.

It is with these encouraging factors in mind that I state that the future outlook for the communications systems field is excellent, and we expect 1956 to be a healthy year for our industry.

S. E. LAUER

President, York Corporation

Looking ahead, our program for fiscal 1956 anticipates a sales increase in air conditioning and refrigeration products and systems of about 12%. Any additional major orders related to defense or for production of items extraneous to our regular lines would elevate this figure.

S. E. Lauer

This program does not appear optimistic when gauged by results of the first fiscal quarter ended Dec. 31, 1955, during which unfilled orders were up 53% from a year ago and amounted to about 4½ months' average net sales.

Our five-year program through fiscal 1960 anticipates about this same annual rate of growth, with the expectancy that we will maintain our historical percentage of the total industry growth. Our studies indicate that air conditioning of multi-space multi-story buildings; air conditioning and refrigeration for industrial and food processing; and year 'round air conditioning for homes and related shelter establishments should be the major markets from which this growth business will flow.

It is possible that in the year ahead we will commit ourselves for expenditures aggregating upwards of \$6,000,000 for expansion of production capacity mainly through new tooling, rearrangement and rehabilitation for the most effective use of floor space, for new products and cost reduction in our plants in York; and through the probable acquisition of existing establishments of other companies, the products of which relate directly to and will be integrated with our growth planning. This figure is over and above our regular annual capital expenditures covering normal repair and replacement within our depreciation budget.

We foresee some possible difficulties in the procurement of certain basic materials which have been tightening up, although it is too early to evaluate the seriousness of this. It is entirely possible that some major lines of production in other industries may drop below '55 levels and ease this situation.

P. F. LAVEDAN

Chairman, The Liquid Carbonic Corporation

Since there is a close relation between industrial gas production and general industrial activity, we have seen a steady increase in the uses of such gases as carbon dioxide, oxygen and acetylene in the past ten years.


P. F. Lavedan

Carbon dioxide production has been increasing on an average of from 5 to 10% per year for the past several years. Due principally to two new industrial applications of carbon dioxide — its replacement of argon and helium in welding, and its use in the hardening of foundry cores — the new year's rate of increase could be even higher.

For the industry as a whole, oxygen and acetylene production in 1955 surpassed all previous years, with sales up about 20% from 1954. Since these gases are used mostly in welding, any prediction of future sales must tie in with the outlook in the steel industry. However, present indications are that last year's record production level will be maintained in 1956.

I expect that our 1956 earnings will exceed the record year in 1955. In addition to the continued demand for compressed gas products, losses which the company's Durable Goods Division — disposed of last year — have been incurring will be eliminated.

The Liquid Carbonic Corporation markets ten compressed gas products for industrial and medical use and is the world's largest producer of carbon dioxide.

H. B. LEAR

Chairman, The Pacific National Bank of Seattle, Wash.

I believe the outlook for 1956 to be excellent. Everyone, led by our Government, seems to be in a spending mood. There should be quite full employment and a very strong demand for money.


H. B. Lear

There are four clouds in the sky, all of which have an element of danger and need to be watched.

The *first* is the foreign situation. As our Government should have known, Russia never for one minute has suspended the cold war. Our allies are weak and unreliable and certainly a severe and expensive struggle is ahead between this country and Russia. A terrible accident could occur at any time which would throw us into a hot war.

Second, excessive taxation. Economic history has shown that nations do not long survive a painful readjustment when the government takes more than one quarter of the national income. At present, the average American family is paying out nearly 35% of its income in direct and indirect taxes. There are over 20 million people in our country including the military now receiving monthly government checks. I look for little or no relief in the present excessive taxation, for our bureaucracy is so entrenched under Civil Service that economy in government is almost impossible. Of course, in case of war, taxation would be fantastic and even a confiscation of capital would be possible.

Third, labor. We have a new situation in the merger of the two great labor unions—16 million members, hundreds of millions of dollars in cash and the avowed purpose of spending vast sums of money to control elections. Of course the members may object or be coerced, but if we should have a labor government such as they had in England at any time in the future we would move rapidly into State Socialism and that labor government would probably do to our country what they did to Britain with no Uncle Sam to stand by, pouring in billions of dollars to keep the country out of bankruptcy. This may never happen, but it is a new situation, requires watching.

Four, unbalanced budgets. A very large segment of our population including our national and many state governments have been living beyond their income. So far, they have successfully carried on by increasing their debts, which now have become very large. The people have become quite spoiled, wanting everything and wanting it now, and wanting someone else to pay for it. I have had members of our Congress tell me that the people are suffering from the "Gimmies." They want the government to do everything for their benefit, not realizing the government has no money or income at all except what it takes from somebody else in the form of taxes and then redistributes to the pressure group which yells the loudest.

I do believe that most governments are trapped by circumstances, hence the long-range view of a creeping inflation. In other words, higher wages—shortly thereafter, higher prices. Nevertheless, with the stock market as high as it is and the country near the top of a boom, there are bound to be some shocks and scares. One simply will have to estimate what the probable reaction might be to some temporary disappointment.

ROBERT H. LEVI

President, The Hecht Co.

Nineteen fifty-six should be another excellent year for department stores. Since retail sales (including sales of department stores) generally lag somewhat behind swings in economic activity, the momentum of the current situation will probably carry retail sales upward well into 1956. Although no one can forecast with any degree of certainty what the subsequent trend of economic conditions will be, present indications are that the most likely assumption is for a continued high level of business activity.


Robert H. Levi

The economy in general is in a healthy state for the development of growth in department store sales. The level of total disposable income has been rising steadily since the first quarter of 1954 and price increases, which might retard purchases, have been moderate. While consumer credit is at an all-time peak, it is not out of proportion to income, and is further supported by consumers' holdings of substantial amounts of liquid assets. Residential construction is expected to continue at high levels, although there has been some moderation of the rate in recent months. Under these circumstances the demand for the goods and services offered by the department store industry will be great.

The industry is continuing its efforts to fulfill this demand, as well as to accommodate the changes in the nature of shopping habits which have occurred in recent years. Many suburban shopping centers have been and are being built to take care of the wants of the rapidly increasing population in the outlying urban areas and conform to the changes in the manner of living of the American people. Further progress will be made in 1956 in the development of this relatively new form of department store operation. At the same time, increasing attention is being given to the need to preserve and improve the great values and services offered by the downtown shopping areas in the larger cities. The requirements of the public for reasonable amounts of credit on a convenient basis are being met by many modifications and simplifications of historical credit terms, and the trend toward the use of improved methods of credit extension by department stores in general will continue in 1956, without necessarily resulting in any absolute increase in the amount of such credit outstanding. These improvements in the distribution system will contribute to the greater satisfaction of the wants of the consuming public and enable the department store industry to keep pace with the expanding economy.

ENDICOTT R. LOVELL

President, Calumet & Hecla, Inc.

Barring work stoppages, increasing copper production in 1956 should ease the supply situation in the copper mining and fabricating industries and we expect the demand for our products to continue on the same strong note evidenced in 1955.


Endicott R. Lovell

Formed more than 90 years ago to mine copper in Northern Michigan, Calumet & Hecla is now completely integrated and includes both smelting and fabrication. Large mills operated at Detroit and Decatur, Ala., by its Wolverine Tube Division fabricate copper, brass, electric-welded steel and aluminum tube for use in the automotive, refrigeration, air conditioning, heating construction and hydraulics industries.

A record demand, coupled with major strikes at several key producing locations, brought the domestic producers' price up to 43c per pound in August and for the remainder of the year. In the last half of 1956, barring serious labor disturbances at domestic or foreign mines, we expect the necessity of paying premiums for the copper Wolverine Tube requests will be eliminated.

With the price of copper as it is today, every effort is being made to increase output from mines which, at lower copper prices, were extremely marginal. This activity will, of course, be continued and accelerated where possible. In the case of our own company, the Osceola Mine project at Calumet, Michigan, is nearing completion and production is gradually increasing. Its total cost, including the pumping of nine million gallons of water and the rehabilitation of two mine shafts and the erection of surface plants will be $8,700,000.

Exploration work on our properties in the Upper Peninsula is continuing at an increased pace. Through our industrial engineers and engineering groups we are constantly striving to develop better drilling techniques, to use mechanized equipment wherever possible and to institute work simplification programs to improve operations, both underground and on the surface.

It is our belief that extensive copper deposits, as yet uncovered, exist in the Upper Peninsula and the Keweenaw Peninsula, and represent for the future one of the greatest potential sources of supply for copper.

Many other factors lead me to believe that 1956 will be a strong year. The refrigeration industry, for example, has had a banner year and wound up with lower inventories than is normally the case. These inventories are for finished goods which, for several years, have been relatively high at the year-end. With lower inventories and the belief that the purchase of air conditioning and refrigeration equipment will continue at a high level, the demand for our products should remain consistently high through this year.

The housing picture is likewise favorable. Something in excess of one million starts is currently being predicted for this year, which should mean another good year for copper water tube. The oil refining and petrochemical industries continue to move along at a high rate and our progress in these industries is constantly being accelerated.

These factors, coupled with the hope that interruptions in the production of copper will not be of the serious magnitude they were in 1955, permitting a more adequate supply of raw material, lead me to believe that 1956 could very well be a better year for the brass mills than 1955. The copper situation prevented the realization of the full potential we had expected from 1955.

HARRY J. LOYND

President, Parke, Davis & Company

Our sales rose approximately 12% in 1955 over the previous year and we anticipate for 1956 a favorable increase over the past year's results.

During the present year, Parke-Davis' major research efforts will be in the following fields: antibiotics, cancer, cardiovascular, mental disorders and virus research.


Harry J. Loynd

Highlight of 1955 was the Francis report, which established the effectiveness of poliomyelitis vaccine.

Today's medical care is the biggest bargain in history.

The total cost of illness in terms of medication, care, and most importantly, the loss of time and income to the sufferer and his family, has been so sharply reduced as to make any comparison with past years almost ridiculous.

Pneumonia can be cited as a typical example of the reduction in the cost of illness. In 1926, the approximate cost of treating pneumonia was $1,000, compared with less than $100 in 1956. The loss of working time in 1926 was five to six weeks, compared with today's two weeks. The patient had a five to one chance of surviving pneumonia 30 years ago, while today the odds have increased 500%.

DAVID L. LUKE, JR.

President, West Virginia Pulp and Paper Co.

Such knowledge as is available to me would seem to indicate great underlying strength in our industry for the next six months. It would seem as though the strength of our industry's position should be great enough to offset such minor economic corrections as may occur in the second half of 1956.


David L. Luke, Jr.

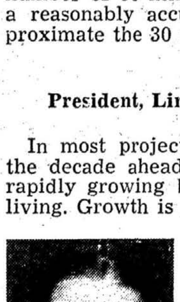
Ours is a growth industry. Economic corrections attributable to political uncertainties or to inventory corrections are likely to be largely absorbed by existing growth trends. This has happened quite recently. The general economic decline of 1954 was fully absorbed by our industry, as indicated by the fact that production for the year was slightly larger than the record year of 1953.

It looks now as though production for 1955 should exceed that of 1954 by more than 3 million tons, and as though the industry should approach a record round number of 30 million tons. If my crystal ball portrays a reasonably accurate picture, 1956 should again approximate the 30 million ton level.

CARL H. MAAR

President, Lincoln National Bank and Trust Co. of Syracuse, N. Y.

In most projections of today's economic trends into the decade ahead, the keynotes struck are expansion, rapidly growing business and a fast rising standard of living. Growth is not a new concept. It is the history of America and American enterprise. The significant thing is the rapidity of acceleration which is being projected. While the long-term outlook for our economy as a whole is one of growth we must realize that it will have its peaks and valleys as we proceed. Also growth patterns for different industries, as well as segments within industries, will vary sharply from year to year.


Carl H. Maar

During 1955 the trend of business was upward throughout the year. The pressure developed a number of distortions in our economy which will require correction in order to proceed on a sound basis. One of the outstanding distortions during 1955 was the substantial increase in the amount of credit used for consumer credit purposes and mortgages on 1-to-4 family houses. Credit for these purposes increased at the average monthly rate of approximately $1,800,000,000, compared with $940,000,000 in 1953 and $350,000,000 in 1954. This trend is being recognized by the Federal Reserve and the Treasury and steps are being taken to

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control the expansion. Monetary controls as exercised by the Reserve authorities are very effective. By creating a more sober outlook on the part of borrowers and lenders, they eliminate excesses of optimism which might be harmful to the economy if not restricted.

It is evident at this time that American business plans to pour a record amount of money into expansion during 1956. This spending will help underwrite a high level of activity for the year especially in the heavy goods sector of our economy. It is also a Presidential year which should indicate a favorable climate for business in general.

Business momentum generated during 1955 should be a factor in maintaining a high level of activity through the first six months of 1956. The last half of 1956 may show a more irregular pattern on a monthly and quarterly basis as the running start from 1955 loses its force.

Among the reasons for expecting that 1956 should be a good business year are:

(1) Consumer expenditures for non-durable goods, services, and durable goods excluding cars are likely to increase, possibly supported by a reduction in tax rates early in 1956.

(2) Business spending for both plant and equipment should increase, bolstered by long-term business plans to increase capacity as well as efforts to reduce costs and meet competition.

(3) As economic activity advances, businesses may be expected to accumulate inventories.

(4) Increased expenditures for non-residential construction, including schools and highways, will offset weakness that is anticipated in residential construction.

Overall it is reasonable to assume that 1956 should compare favorably with our recent years of prosperity.

F. W. MAGIN

President, Square D Company

We are quite optimistic in regard to the business outlook for the year 1956 as far as electrical distribution and control equipment are concerned. Our forecasts reflect an increase in our business over the year 1955.

F. W. Magin

We are very optimistic as to the outlook for the electrical industry over the next five-year period and our company is planning on quite extensive increases in plants and equipment. Our plans contemplate the starting of some new plants in the year 1956, the time of completion of which will depend upon our ability to obtain the necessary steel for construction of these buildings. At the present time our prospects for obtaining reasonably prompt delivery on this steel are rather discouraging.

J. R. MacDONALD

Chairman and President, General Cable Corporation

Barring a severe deterioration affecting our entire economy which certainly is not now foreseen, 1956 should be a banner year for the electrical wire and cable industry.

J. R. MacDonald

Just before the turn of the year, Mr. Joseph F. Miller, Managing Director, and Mr. A. J. Nesti, Chief Statistician of the National Electrical Manufacturers Association, issued a statement projecting increases in all branches of the electrical manufacturing industry in 1956 over 1955. These included appliances estimated to increase from $4½ billion to $4.8 billion; industrial materials from $2.2 to $2.4 billion; construction uses from $1.32 to $1.36 billion, and specialized equipment from $4.5 to $4.8 billion. Increases of 5% are anticipated in signalling and communication equipment and of 6% in generation and distribution equipment. In the communications field optimistic statements have been issued by the President of the Bell System and by the heads of some of the principal independent telephone companies. Like statements have been issued by executives of the electric power companies. All of this indicates an exceptionally good year for the electrical wire and cable industry whose products are used in all of these fields.

Perhaps one note of caution should be injected, this in connection with the copper situation, as in the electrical wire and cable industry so much depends upon the availability of copper. In 1955 the industry was faced with severe shortages of copper caused by strikes in the United States, Chile and Rhodesia in the last half of 1954 and early 1955. The shortage was further aggravated by strikes lasting approximately six weeks beginning around July 1, 1955 which shut down about two-thirds of the U. S. production of copper. Despite exhaustive efforts by the industry to obtain sufficient copper regardless of price, so as to continue operations, much of the industry was forced to shut down for varying periods of time. As a result of this situation, the price of copper which had started the year at 30 cents per pound, was gradually forced up to an official price of 43 cents per pound, but at times prices of over 52 cents per pound were actually paid for copper. As the industry sold its products based on the official price of copper even though many fabricators had to pay substantial premiums, earnings were adversely affected, as, of course, were both sales and earnings by reason of the physical shortage itself. As of the present time the shortage has not yet been completely overcome, but barring any major labor disturbances during the year, it is anticipated that the producers of copper will be able to take care of the demands for copper.

J. C. MARKEY

President, The Aro Equipment Corporation

Any speculation on the business outlook for the year should certainly take into consideration the fact that there will be a national election in 1956. We will read and hear many predictions of business optimism and pessimism throughout the next 12 months. Will Eisenhower run again? If not, who will the Republican party nominate? If a Democrat is elected to the Presidency, will it mean a less sympathetic attitude towards business by the new Administration? These and many other similar questions will be examined in great detail by the political and business pundits.

J. C. Markey

While this year of political confusion might make management slightly cautious about expanding too rapidly, it is my belief that any feeling of uncertainty will be reflected in the stock marke rather than in the general level of business. We, at The Aro equipment Corporation, look for another good year. As some of the readers of *The Commercial & Financial Chronicle* already know, Aro manufactures lubricating equipment, air tools and specialized aircraft products. I will touch on each of these three division briefly so that you may better understand our outlook for the year.

The lubricating equipment phase of our business is perhaps the most stable of the three. When Aro was organized in 1930, we manufactured lubricating equipment only. After 25 years the opportunities for growth have not been exhausted. Our greatest growth took place between the years of 1930 and 1940 when concentrated sales efforts were made to penetrate the automotive market. While the automotive market is still expanding, the greatest opportunity for growth now lies in the industrial and farm markets.

Our air tool business is another matter. Here, like other companies in the field, we see practically no limitations on its growth. This division, which was organized in 1939, took seemingly no time to become a many million dollar business. In fact, the rapid growth of the entire air tool industry has been fantastic. There has been good reason for the increased use of air tools. Industry in general is showing a preference for pneumatic tools. For portable applications they offer the ultimate in small size, yet develop more horsepower per pound of weight than other types of tools. Our tools and air motors fit into the ever increasing demand for power application of automatic production lines.

The air tool division of Aro has several innovations under development. This is probaly true throughout the air tool industry. The only restraining force we feel is the responsibility of sound expansion.

It is most difficult to generalize about the prospects for our third division, specialized aircraft components. Let me make it plain though, that the growth of this division has been and will continue to be no less exciting than our air tools division. This division manufactures highly technical products for aircraft, such as liquid oxygen equipment and breathing regulators for pilot use, anti-G valves, etc.; and through our recently acquired Ampatco Corporation, electro-mechanical equipment, automatic pilots and also electronic component controls for industry. Competitors in this field are so few that we can only speculate on our own future.

While much of our work is designed for use in high altitude flying and, thus, is military in nature, we are now doing more commercial work than ever before and we expect 1956 to show a further increase. We also took steps in 1955 which allow us greater access to the NATO countries and countries in the Sterling Bloc area. As you can see, we look for continued growth and prosperity in 1956.

JOHN N. MARSHALL

Chairman and President, Granite City Steel Company

The 1956 outlook for the steel industry — I can, of course, speak only about the Midwest and Southwest, the market area of Granite City Steel Company—appears at this time to be very good indeed. We think that the demand for flat-rolled steel products during the first half of 1956 will be superior to the demand during first half 1955.

John N. Marshall

Yet our mill has operated at capacity since last Feb. 15. Measured by production, sales, profits, or almost any other way, 1955 was the most successful year in Granite City Steel's history. You may wonder whether a let-down is not inevitable.

The 1956 outlook is optimistic for a number of reasons. One, of course, is the backlog of orders already on the books. But there is a longer-term and more basic reason for optimism about steel industry prospects.

In the past, the industry has been highly cyclical in nature. With too much capacity except for periods of boom and wartime, its operating rate followed a sharply up-and-down cycle.

In my opinion, this has changed. The cyclical curves will be much less sharp and pronounced in the future. Why? In large part because new products made of steel have appeared in vast quantities ever since World War II.

This reflects the development of better and more versatile steels, of better protective coatings such as porcelain enamel and of improved galvanizing processes. It also reflects a great increase in the volume at which modern mill machinery can produce steel.

The result has been that steel is going into more and more consumer goods. The industry's old dependence on the buying of the construction industry and the railroads is about gone. Today, steel is much closer to the general consumer economy, much less sensitive to changes in just one or two of the many industries that make up that economy.

One example of this is that the present per capita use of steel is 1500 pounds a year. In 1940, it was only 1015 pounds a year.

It is a realization of this basic change that lies behind much of the industry's current expansion plans. In Granite City Steel's case, for example, it was only in 1954 that we completed an $89,000,000 expansion program that doubled our ingot capacity to its present 1,080,000 tons a year. Recently, we began another round of expansion. It will include the construction of a new blast furnace and by 1957 will add approximately 30% to our present steel ingot capacity.

Even this increase will not bring our productive capacity up to what we regard as our share of the normal, peacetime steel consumption in St. Louis and the Southwest—the area where Granite City Steel is the nearest flat-rolling mill.

To sum up, steel is an old, established industry. Today, it is once more an expanding industry.

JOHN W. MARTIN

Trustee, Florida East Coast Railway Company

We look forward to the year 1956 as a period during which the current high level of business activity seems destined to continue. We also expect it to witness the continued rapid growth of our territory, the East Coast of Florida. Both of these factors make the traffic outlook promising for the Florida East Coast Railway, despite the many problems that beset the railroad industry in general.

Florida is coming of age economically, and is no longer so heavily dependent upon tourist trade and other highly seasonal factors. It is attracting new residents and new industries at a record rate, all of which helps to increase our year-around traffic potential. As a result, perishables and highly seasonal products account for a much smaller percentage of our traffic than formerly. General commodities, building materials, and other non-seasonal items are gaining in volume and importance.

While, due to competitive factors, we are perhaps enjoying a diminishing share of the total passenger traffic being produced by the rapid growth and development of our territory, our gains in the freight field are more than compensating for decreased passenger volume.

JOSEPH A. MARTINO

President, National Lead Company

The sales and earnings of National Lead Company in 1955 were higher than in any previous year in our history. Record sales were made to the automotive, chemical, construction, electronics, paint, paper, petroleum, plastics, printing and rubber industries and 1956 holds promise for our sales to continue on a high level.

Joseph A. Martino

National Lead Company's growth and diversification has been marked by a continuous expansion of its line of products, which include "Dutch Boy" paints and paint materials; titanium, lead and barium pigments; railway journal bearings, oil well drilling materials, die castings, refractories, ferro alloys, metallic lead products and lead chemicals. The company has also kept pace with the expanding atomic energy program and is operating several strategic installations for the treatment of uranium ores and the production of uranium and thorium metals. National Lead also supplies other materials essential to the atomic energy industry such as nickel, zirconium and titanium, containers for shipping and storing radioactive materials, and lead and barite for shielding. The demand for these products for use in the atomic energy industry is expected to grow in 1956.

Business expansion was sparked in 1955 by increased automobile production, construction of more homes, and higher expenditures for new plants and equipment. In 1956, although automobile production and home construction may be somewhat reduced, new plant and equipment expenditures are expected to reach record levels. Prospects are bright for continued high industrial activity and all signs point to good year ahead for National Lead Company.

GEO. G. MATKIN

President, The State National Bank of El Paso, Texas

The year of 1956, following the boom year of 1955, and also being the Presidential election year, is to me a rather difficult period to accurately predict. Undoubtedly, the President's heart attack adds somewhat to this difficulty as there is no assurance that he will run again, and should he not run, it is thought by many that the Democrats will have an opportunity to win. Should this be the case, would it mean that the new Administration would be as favorable to business as the present one? Would this, in turn, follow that the Democrats would not try as hard to retain the present value of the dollar and thereby bring about a stronger inflationary trend? It is contended that inflation, at the time it happens, is preferred by a good many people because they are apparently quite prosperous — or so they think — but in the long run it can prove disastrous to everyone involved. Personally, I don't believe any thinking person is favorable to additional inflation.

George G. Matkin

At the present, and for some time past, business has been at a very high level in all categories. A good many industries are producing at near capacity, and accordingly, their growth in the coming year, as I see it, will have to be, or could be, to a lesser degree of increase than their growth in volume in the past year. The scarcities caused by the present demand will probably step up prices slightly and will be causing the majority of businesses to show some increase in both quantity and dollar volume.

Agriculture, unfortunately, has not shared in the overall national prosperity to the same extent, and agricultural income could probably be off slightly in the coming year because of increased acreage controls, the variable reasons of weather and demand, market, etc., resulting in crops probably not being as large. I think that the farmer will "get by" this coming year, but in the main, his outlook could be dreary, as predicted by some.

Department stores, dealers in all types of appliances and equipment, should have a higher volume year. I base my thinking on this point on higher wages, a raise coming on March 1 in the minimum wage requirements, and on the probability that income taxes will be reduced to some extent, and that the lower bracket earners will share in this decrease in taxes for more than their portion.

Interest rates are very strong at the present time and the rediscount rate is the highest for over 20 years. The prime rate is high. Government bonds are low and their yield is high. Money is tight and, in my judgment, will continue so for some months. I don't look for any appreciable drop in interest rates, and probably there will be some increase. There is nothing to indicate that deposits for the year of 1956 will show any substantial rise, although there probably will be some increase.

In this section of the country, with metal prices high, mining should continue to be quite active, and undoubtedly, ore deposits that were formerly looked upon as being marginal will be brought into production.

I do not predict any particular increase in the value of livestock in this area, but I am confident that the rancher of well-founded experience will get along probably a little better, or at least as well as during 1955. The local area farm picture is more or less comparable to the nation's over-all position, and should it slide down, it would probably be only slightly down.

I predict that general business in this area, and in the country as a whole, will continue to be excellent for the coming year.

L. L. MATTHEWS

President, American Trust Company, South Bend, Ind.

The year 1955 will be recorded as an outstanding year in the nation's economy. Nearly every segment of business except agriculture, experienced a general expansion in production and sales. Consumer income rose to a new level, and in addition, spending was increased through instalment buying, this source of credit reaching a record high. Plant expansion, home building and increased inventories were other factors involving a substantial increase in bank loans, resulting in higher earnings for our financial institutions.

L. L. Matthews

Today, banking is conducted on a modern sound basis. There have been some restrictions in credit, and higher interest rates are in effect as a means of curtailing further inflationary tendencies. The average bank's bond account is dominated primarily by U. S. Government obligations of short to intermediate maturities. Mortgage loans are liquidated by monthly instalments. The average home owner finds that his monthly payment is much less than rent. Consequently, he will find it advantageous to protect his equity by regular payments. The same is true of Consumer Credit. To many people, instalment buying is just another means of saving. Some authorities object to the monthly payment credit, but we must realize that the number of families with incomes of $5,000 or more has doubled in the past ten years. Thus, total income in this category justifies the climb in instalment credit.

In 1929, many banks were borrowing in order to relend—they had loaned 70% of their deposits. Today, the ratio is only 40%, and secondary reserves in cash and government bonds indicate relatively high liquidity.

State and Municipal spending for schools, highways, hospitals, and other acute needs is another factor in keeping our economy at a high level in 1956. Why this acute need for public works?—the unparalleled increase in population.

Certainly, we shall experience some decline in business activity from time to time. Our economy is not depression-proof, but no strong recession is in sight. Our standard of living is the highest the world has ever known, and the experts predict that it will be even higher in the years to come.

EUGENE R. McCARTHY

President, Brown Shoe Company

Nineteen Fifty-Five marked one of the greatest growth periods during any single year in the 77-year history of Brown Shoe Company. The shoe industry also reached an all-time peak with an output of an estimated 580,000,000 pairs of shoes. The net sales of Brown Shoe Company during its 1955 fiscal year ended Oct. 31 increased 14.8% over 1954 to an all-time high of $159,480,879.

The company's capital investments in manufacturing, warehouse and transportation facilities have totaled over $13,000,000 since 1950. New plant expansion for 1956 includes completely modern units at Booneville, Mississippi, now in operation, and Union, Mo. The Union plant will replace an old, smaller factory when it is completed in 1956.

Construction of a new, modern multi-million dollar St. Louis warehouse is now under way in South St. Louis at the Southwest corner of Gustine and Bingham Avenues. The building will be three stories including a total floor area of 450,000 square feet, an enclosed trailer dock for 30 trailers and parking facilities for eight railroad cars. A two story office addition will be located at Gustine Avenue. This ultra-modern warehouse is expected to be completed by Fall of 1956.

An annual production goal of 35,000,000 pairs of shoes per year has been set which should be achieved by the close of 1957. Recent production figures show a steady upward climb. In 1940 11,798,000 pairs were produced in Brown plants. 1951 the total pairs were 19,590,000 and 1955 they hit 25,644,000.

Expanded marketing services were launched in 1955, including a new market research and sales analysis department, and an unusual sales training program for Brown retailers' sales personnel and a salesmen's trainee plan designed to build young, aggressive Brown wholesale sales representatives.

The outlook for a continuing high level of shoe production and retail sales seems assured through the first six months of 1956 providing the economic prosperity continues near its present high rate.

E. M. McCONNEY

President, Bankers Life Company, Des Moines, Iowa

Life insurance companies in planning ahead are particularly interested in the outlook for new sales, and yields on long-term investments.

The trend of new sales of insurance usually moves with the direction of general business, although with a lag.

E. M. McConney

Our economy is still a war economy . . . cold war though it may be . . . linked to a rapidly increasing population, and intense desire for a higher standard of living. Under full employment this means a higher level of demand supported by credit mechanisms only slightly known in past generations.

The forecast figures for capital and consumption expenditures and governmental expenditures for defense, foreign aid, highways, schools, etc., have been well publicized and need not be reiterated. They all add up to a G.N.P. of some over $400 billions. The evidence available at this time indicates that general business will not only maintain the high levels of 1955 but will exceed them in 1956. Consequently, the outlook for insurance sales in 1956 should be good because the outlook for general business is one of continuing strength.

Based on these forecasts of general business the demand for long- and short-term funds will be at record levels in 1956 and savings flowing through financial institutions will not be adequate to finance growth in 1956. This means that the banking system will be called upon to supply credit in amounts exceeding those in 1955. Although the Federal Reserve System should follow a restrictive monetary policy, it will supply reserves with an eye to keeping bank lending within fairly narrow limits.

As a result of the heavy demand for funds, yields on long-term investments will probably rise.

The economic setting this year seems definitely to be one favoring inflation. Whether inflation will occur in significant degree depends mainly on the effectiveness of monetary and fiscal policy.

It should always be remembered, however, that the psychology of the masses can be swayed rapidly by modern means of communication so that alarms on such factors as foreign relations, election possibilities, auto and residential production may very materially change the forecasts.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Ark.

As a New Year begins we are well aware of the fact that the economy is booming. Production, sales, and corporation and personal incomes are all making new highs. Undoubtedly this trend will continue at least well into the new year, and only the possible threat of war seems to mar the future. This is a Presidential year and there is a general belief that until after the elections are over next fall nothing adverse to the national economy will be allowed to take place. That belief will most likely keep business on a high level throughout 1956.

Arthur E. McLean

Again the forecasts will generally be most optimistic, but it is time for sound thinking coupled with courageous action if we are to avoid trouble sooner or later. All is not well regardless of how beautiful the picture may seem. Inflation is still with us, and the value of people's savings is still going down. Private debt and consumer credit are increasing too rapidly, security prices in many cases are too high, and there is a growing speculative fever which results in the purchase of new and unseasoned securities without investigation. Consciously or otherwise, flight from the depreciating dollar continues. These are definite danger signals now on the horizon.

Inability to reduce the National debt in times of great prosperity is a threat to the economy. Necessary expenditures for the nation's defense are fully justified, but deficit spending to improve living standards in foreign lands is not. Seemingly plausible rationalizing in this respect has already replaced good sense and it is time to bring some of this kind of thinking to a halt.

We may not yet be in great danger, but the ship in which we ride is certainly beginning to list. If as a nation, we are smart, we will start righting it before we find it turning over.

S. C. McMEEKIN

President, South Carolina Electric & Gas Co.

South Carolina's industrial and economic outlook is highly favorable for 1956.

The year ahead promises a continuation at an accelerated rate of the extensive industrial expansion which has taken place throughout the state since World War II.

S. C. McMeekin

New and diversified industries continue to invest heavily in the construction of modern plants providing efficient and economic operation. These new industrial payrolls continue to provide an ever-higher level of income for our people. Keeping pace with industry is the revolution in the state's agricultural economy with the growing mechanization of farms and the rapid trend away from dependence on cotton to diversification ranging from peach growing to cattle raising. Growth in wholesale and retail trade and service business is proceeding hand-in-hand with the state's expanding economy. The sizable 23-county area of the state which the South Carolina Electric & Gas Co. serves is a good index of statewide expansion and prospects for the future. Here new and expanding plants total an investment of over $140 million representing employment for approximately 5,000.

New plants range from the General Electric Co., $6.5 million plant near Columbia, to Amerotron's $10 million textile mill at Barnwell, and include $2.5 million Riegel Textiles and $1 million Barnwell Felt Mills. Plant expansions announced and under way include West Virginia Pulp & Paper Company's $20 million Charleston expansion, Cone Mills at Carlisle, Carolina Giant Cement Co. at Harleyville, the Graniteville Co., Graniteville, Manhattan Shirt, Westinghouse Electric and a score of others.

Keeping ahead of this rapid rate of industrial expansion, our company will begin construction early this year on the first 137,500 kw. capability unit of its ninth and largest generating station near Columbia. When completed this mammoth steam plant will have a capability of 600,000 kw. The first unit is due for operation in 1958.

Last year the third unit at our Urquhart Station in Aiken County went "on the line" bringing total capability of this $42½ million steam plant to 274,000 kw. 70% of the company's power capability is now firm, steam-generated electricity.

Since the construction of pipelines two years ago, natural gas, the energy partner of electricity, is being used in even greater quantity and is an additional important inducement to industry.

The company's Industrial Development Department is active in organizing and aiding community industrial committees and in cooperating with state and city devel-

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opment agencies in locating new industry. Industrial inquiries are on the increase.

Industrial interest in the state has been further whetted by the vast Bushy Park industrial water project, now under construction near Charleston, which will make up to 10 billion gallons of fresh water available in new industry with easy effluent disposal. Charleston's booming port, now 13th in the nation in value of foreign trade, links new industry to world markets. There is confidence everywhere in South Carolina's "New Era."

CARL R. MEGOWEN

President, Owens-Illinois Glass Company

The demand for glass, particularly in the packaging, tableware, building and scientific fields is expected to continue strong through 1956. I am convinced that the next decade will see packaging carried to much higher levels than anything we have yet experienced.

Carl R. Megowen

With these opportunities in view, Owens-Illinois, at its new Technical Center, is pushing research and engineering chiefly in two directions: (1) developing new uses for glass, and (2) improving present products and processes.

For the glass container industry, the prediction is that shipments this year will be approximately 134,000,000 gross, a new record high.

The long-range outlook is for continued growth, based on the general U. S. economic expansion, the nation's population growth, and the increasing demand for glass packaging. This last factor reflects, in large part, a continuing improvement in the standard of living involving greater use of convenient glass-packed foods.

Products that were unknown or unimportant in 1939 are now packed in glass containers at a rate well over 30,000,000 gross per year. In the past 15 years glass container shipments in this country have increased 150% while population has grown 25%, and real purchasing power of consumers has risen 85%.

America and the world are changing — and changing fast. It all adds up to bigger markets, better living conditions and, barring a destructive war, which seems improbable, I believe we can have confidence in a dynamic future and one that will bring opportunities such as we have never faced before.

It would be disastrous for business and industry to fail to recognize the many changes in our methods of living, or to fail to recognize the need for improvements in products and processes to keep pace with these changes.

CRANDALL MELVIN

President, The Merchants National Bank & Trust Co. of Syracuse, N. Y.

The best measure of our economic health is the Gross National Product which represents the value of all of the goods and services produced in the country. For the first three quarters of 1955 this item was in billions of dollars 375.3, 384.8, and 391.5. It will undoubtedly soon run over $400 billion for the first time in our history. The soft spots in the business outlook have been well publicized so that we all know of lower farm income, the rapid expansion of credit, the possibility of lower automobile sales, etc. The widespread knowledge of these items is in itself a favorable factor. It means more people are aware of what is going on in the economy as a whole.

Crandall Melvin

Furthermore, each year that passes finds us with new and improved tools to help us understand and forecast business activity. Among new items would be the recent Flow-of-Funds data compiled by the Federal Reserve Board. These figures will give us for the first time a comprehensive record of all transactions in the country that involve a transfer of credit or money. Moreover, the various surveys of what different groups in the economy expect to do in the future are helpful. The University of Michigan surveys made for the Federal Reserve on that all-important party, the American consumer, are an example. Also the surveys of prospective capital expenditures of American business made by "Fortune"; McGraw-Hill; and the Securities and Exchange Commission are helpful. Items such as these are giving us a better picture of our economy today and what it may be like tomorrow.

Another interesting aid in forecasting business activity is "Statistical Indicators of Cyclical Revivals and Recessions" by Geoffrey H. Moore. This 1950 publication of the National Bureau of Economic Research lists eight selected indicators whose changes tend to take place prior to changes in the general level of business activity. According to the latest data now available, only one of those factors is definitely unfavorable (Residential Building Contracts, Floor Space). Five of the factors are definitely favorable. Two items are now neutral. This approach reinforces our conclusion that business activity in 1956 will continue to increase moderately for at least the next four to six months.

Any decline in business activity that should take place would be met promptly with all of the weapons of the Government's fiscal and monetary policies. Business itself would act promptly—new automobile models would appear earlier and would embrace major style and technological changes. From these items and from the usual business indexes, I feel business activity in 1956 should at least maintain itself on a high plateau but further overall gains for the entire year will be minor.

EARL R. MELLEN

President, Weston Electrical Instrument Corporation

Since we are entering the year 1956 at a high level of business activity, it is expected that this trend will continue through at least the first six months of the year. The dominant portion of Weston's business is in capital goods. Numerous predictions have been made by leading companies in the automobile, oil, chemical and other industries indicating increased capital expenditures of 10-15% in 1956 so our activities should expand accordingly if we are to secure our proportionate share. The high level of government purchasing for defense will also continue, as will capital expenditures in the public utilities field, including electrical, gas and communications. This activity should be reflected in our volume of potential sales. It is also anticipated that new products which have been in our development laboratories for a period of several years will reach the market and have a beneficial influence on our volume of sales.

Earl R. Mellen

On the other hand, it is expected that 1956 will prove to be a year of intense competition with a "squeeze" on manufacturers brought about by competition on one side and a continuing demand for higher pay from labor groups, plus an element of increased cost represented by mounting prices of raw material and other components during the past year.

On the whole, we look forward to 1956 as a year somewhat better than 1955, but with the necessity for dynamic drive in the sales department in order to maintain competitive leadership.

ROBERT G. MERRICK

President, The Equitable Trust Co., Baltimore, Md.

Robt. G. Merrick

I have never gone in for the predicting or prophesying business because there are so many imponderables that can come into the situation that a prophesy made today may be worthless tomorrow. However, barring forces not foreseeable at this moment, it looks like 1956 will be another prosperous year for the country as a whole and especially for the banking system. I also think that with the elections coming up in November of 1956 the Party in power will do everything humanly possible to keep the economy in high gear.

B. H. MERCER

President, Fidelity and Deposit Company of Maryland, Baltimore, Md.

Despite the fact that 1956 is another so-called off year in our three-year premium cycle, I am, nevertheless, quite optimistic as to this year's outlook for the fidelity lines. There are several reasons for this prediction. Any business, large or small and whatever its nature, needs so-called dishonesty insurance. That need is greatly intensified in today's economy with business activity at an all-time peak. More money, securities, goods and materials are being handled by a greater number of employees, and under existing conditions employers cannot always choose as carefully as they would prefer the type of employees to whom they must delegate greater responsibility. All of this means that both opportunities and incentives for embezzlements are greater than ever before. Our industry should, therefore, sell a larger volume of dishonesty insurance to individuals, firms and corporations which have heretofore not had this protection. Another potential source of premium income in this line is the fact that like fire insurance, dishonesty insurance must be increased as values and exposures to temptation increase. The agent is indeed remiss who does not bring these facts of ife to the attention of persent policyholders.

B. H. Mercer

In the surety field bonds guaranteeing performance of contracts produce our largest premium volume. In July, 1955, premium rates on this line were reduced. However, construction activity continues at a high level and authoritative sources estimate that 1956 awards, particularly in the nonresidential categories, will exceed substantially those of 1955. Accordingly, contract bond premium volume should compare quite favorably with last year despite the somewhat lower rates at which the business is written.

Judicial bonds are another important source of surety premium volume. Accelerated business activity and higher values which prevail throughout our economy have a two-fold effect on this branch of suretyship. The estates of decedents, incompetents, et cetera, are larger, hence the fiduciaries which administer such estates must give larger bonds which produce higher premiums. Likewise, higher wards and judgments result in larger appeal and similar bonds filed by litigants, and again larger premiums for the sureties which qualify on such bonds.

It must be remembered that the same factors which increase premium volume also result in larger claims and higher losses for our industry, but corporate suretyship is justly proud of its record for the prompt and satisfactory settlement of proper claims and will maintain this record at all costs.

Considering all elements, both favorable and unfavorable, I anticipate a satisfactory year in our field.

D. C. MINARD

President, The Trane Company

There is usually a high correlation between construction activity and air conditioning sales. But in 1956, with an anticipated jump of up to 10% in nonresidential construction, the industry's air conditioning sales should rise as much as 15 to 20%. The sales rate of our company is expected to quicken more than that of the industry. Company output in 1956 may show one of the largest increases in a single year in the 42-year history of Trane.

Donald C. Minard

Total sales of the company have topped $50,000,000 for two consecutive years in its air conditioning, heating, ventilating and heat transfer equipment.

Three factors will give extra stimulus to air conditioning equipment sales in 1956:

(1) More new buildings than ever are being air conditioned.

(2) The rate of air conditioning existing building is rapidly accelerating.

(3) Air conditioning in industrial plants for both industrial process and worker comfort purposes is an expanding, if relatively new, major market.

While authorities foresee sharp rises in all fields of construction activity except residential, this will not affect Trane since our full plant capacity will be needed to meet demands for the non-residential fields.

A substantial factor that will tend to push our business up in 1956 will be the introduction of a number of new products, particularly in air conditioning, that will broaden the company's present markets. We will be much more active in the commercial packaged air conditioner market in 1956, with the introduction of a line of self-contained air conditioning units which has been completely redesigned to incorporate all the latest advances in the industry.

Also, one of Trane's major products, the CenTraVac, which is widely used to supply chilled water for the air conditioning of large buildings will be produced in larger unit sizes. At present the company catalogs 20 basic units, the largest unit rated at 800 tons. This will put the company even deeper into the big building air conditioning market.

Further brightening Trane's prospects for the year—outside the air conditioning field—will be the expected fast pace of construction of schools, for which Trane makes heating and ventilating equipment of special design.

We will increase manufacturing floor space 14% during the year with completion of construction now in progress at two of the company's three plants, La Crosse and Scranton. The firm's Canadian subsidiary at Toronto expanded into new quarters during 1955.

As a part of our planned expansion program, announcement has been made of a new Engineering Building to be constructed during 1956 adjacent to the ultramodern research laboratory building which was completed in 1954. Plans for the new Engineering Building are nearly completed, and it is expected this new building will be ready for occupancy early in 1957.

HENRY S. MITCHELL

President, Duluth, South Shore and Atlantic Railroad Company

Railroad and net earnings for 1956 are likely to fall substantially below 1955 and approach the wholly inadequate level of 1954 if recent and forthcoming awards of heavy wage increases for railroad labor are not promptly offset by corresponding increases in our charges for performing transportation services. The delays we encounter in procuring the required governmental approval for adjusting our charges so as to cope with wage increases on the one hand and competing transportation facilities on the other put us at a great disadvantage as compared with other industries which are free to make necessary adjustments promptly. A glaring example of the handicaps imposed on the railroads is the extreme difficulty of obtaining the requisite permission from state authorities to eliminate heavy losses incurred in furnishing little used and highly unprofitable passenger service.

Henry S. Mitchell

A wise solution of the railroads' predicament would seem to be to relieve them of paralyzing delays in obtaining permission to adjust their services and their charges in conformity with sound business principles. All hopes of having the railroads function on such a basis would be destroyed by adopting the suggestion which has been advanced in some interested quarters of granting the railroads Federal subsidies, leading as they inevitably would to an even greater burden of governmental control than we are now laboring under.

ROY W. MOORE

President, Canada Dry Ginger Ale, Inc.

From our viewpoint, we believe that the outlook for the Beverage Industry in 1956, is good. As is the case with most businesses, prospects are good or bad depending on general economic conditions.

R. W. Moore

Industrial production is running at top-speed and apparently straining the capacity of the country's producing facilities. We have full employment and wages higher than ever. The spending power of consumers is enormous and the consuming public is now in a mood to spend. Sales of goods and services, as this is written, are the highest in the history of our country. The question is: How long will these conditions prevail? No one knows the answer to this but since there are no signs of any sudden change in the spending habits of the people, or in the wage rates, it is likely that the present conditions will remain with us for at least some months ahead.

In all probability, the present general prosperity will continue through 1956, and with such momentum that the whole of 1956 has a reasonable chance to be another good year.

Speaking for the Beverage Industry, we are of the opinion that wherever there are people there is a market for our products. And where the population is increasing in such numbers, as is the case in our country, the market for beverages is growing—and at a fast rate. This, added to the fact that consumer incomes are in process of increasing, makes it more than probable that the Beverage Industry will have an excellent year in 1956.

ARTHUR E. A. MUELLER

Chairman, North Central Airlines, Inc.

Judged by trends discernible in our territory and in our operations, 1956 should, without a question, be an excellent year for business.

Arthur E. A. Mueller

North Central Airlines continues to experience the long-term growth and development trend which has been apparent since its organization, showing an increase during 1955 of 40 to 50% in all categories of business. As a result it has easily become the world's largest local service airline as judged by all usually accepted standards such as passengers carried, express carried, mail carried, and miles flown.

As evidence of the confidence our company has in the future, we have recently authorized the acquisition of additional airplanes and equipment. In addition, we are giving serious consideration toward the purchase of airplanes to replace the old reliable DC-3's now in use, and it is entirely possible that we may decide on airplanes of turbo-prop type.

As further expansion, our petition for the acquisition of Lake Central Airlines, which we expect to be approved by the Civil Aeronautics Board in the near future, would permit us to serve additional cities in Michigan, Indiana, Ohio and Pennsylvania, and would save the Government approximately one-half million dollars annually in subsidy and still increase airline service to the traveling public in those communities by almost 50%.

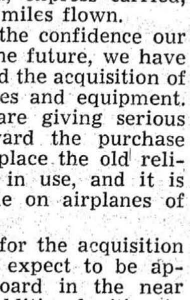
We find that inquiries for space and advance bookings after the first of the year indicate a definite continuation of our trend of improved business. We believe that the confidence generally expressed by business leaders in the area we serve is well justified by economic conditions in it.

In summary, then, all indications available to us reveal that 1956 will be considerably better than 1955. We believe that our analysis has considerable barometric value in forecasting the trend for the coming year nationally because of the great importance of the Middle West, which we serve, to our entire economy.

ADMIRAL BEN MOREELL

Chairman, Jones & Laughlin Steel Corporation

Events since the end of World War II have proved conclusively, first, that even in peacetime our country needs great quantities of steel products of many kinds and sizes; second, that the demand for these products increases progressively at a faster rate than the increase in population; and third, that a healthy steel industry is a prerequisite for a healthy American economy.



Ben Moreell

The all-time record production of more than 116 million tons of ingots in 1955 has strained our mills to the utmost. Even so, we have not been able to satisfy the demand. Demand in excess of available supply would ordinarily be looked upon as indicative of a prosperous condition. And, it cannot be denied that 1955 was the steel industry's best year. But there are disquieting signs of trouble ahead.

Although the industry has increased its capacity by one-third since World War II, this has not been enough to satisfy both civilian and military needs in the current boom.

What about the future? With the prospective increase in population and rising per capita uses of steel products, we will need 30 million ingot tons of new steelmaking capacity over the next 10 years. This must be complemented by the development of raw materials (iron, ore, coal, limestone) and the finishing equipment needed to convert ingots into finished steel products.

This essential expansion of the steel industry at a time when construction costs are at an all-time high is a major concern of steel producers today. And it is also a matter of great concern to the many other industries which look to the steel industry for their raw materials, i.e., steel products. The great industrial growth which is forecast for our country in the decade ahead cannot take place unless these steel products are made available in the kinds and quantities needed.

Of the 30 million ingot tons of new capacity which must be built during the next 10 years, one-third (10 million ingot tons), together with its complementary processing equipment, can be obtained by expanding existing installations (the so-called "rounding-out processes"). The remaining two-thirds (20 million ingot tons) will have to be built from the group up (so-called "grass-roots" plants). The capital cost of such expansion is about \$150 per ingot ton for "rounding out" and \$350 for new plants, respectively. These figures include working capital and the cost of developing raw materials. Therefore, the industry is faced with a construction bill over the next 10 years of \$8½ billion for new capacity. To this should be added an additional sum of about \$7½ billion to replace existing wornout and/or obsolete equipment. This makes a total of \$16 billion for capital improvements over the next 10 years.

Where is this money to come from? Our current depreciation charges, being based upon original costs which are much lower than present and prospective replacement costs, are inadequate to cover the cost of replacements for existing equipment. This means that earnings, which have already been taxed at 52%, must be retained in the business to make up this deficiency. In order to discharge its obligation to keep pace with an expanding American economy, the steel industry must enter the money markets for huge amounts of investment capital. Will it be able to get this money?

In order to do so, the industry must be competitive with other industries which are also seeking capital. We must be able to offer a degree of security and a return on investment such as to attract investors.

This means that we must have sufficient earnings to meet all normal requirements and have enough left over to pay the investor a fair return, not only in boom times like the present, but also in times of less economic activity, i.e., when we are operating at considerably less than 100% of rated capacity.

Where does the steel industry stand in the competitive financial race? The annual report of the earnings results of 45 major industries (per cent return on net assets) published by the First National City Bank of New York, over a number of years has shown the steel industry near the bottom of the list. In 1954, the steel industry stood in 32nd position. Thirty-one industries had a better financial performance; only 13 had poorer results. This is not a healthy condition in view of the importance of the steel industry to our national economy and our national security, and particularly in view of the great financial obligations which lie ahead for the industry.

Since the end of World War II the industry has spent and is now spending large sums for modernization of plant and facilities. Additional large expenditures are being made for research and for development of new and improved products and methods. New management techniques are being developed. In short, the industry is vigorously pursuing all practicable measures which give promise of resulting in lower production costs and improved steel products.

This brings us to the much disputed matter of steel prices.

Although the price of steel has risen substantially in the postwar period, the rise has not been enough to place steel in a position of "parity" with other industries. The price rise is calculated from a date when the steel industry was not earning sufficient profits to make it competitive in the investment market. Therefore, to correct this deficiency, steel prices would have to rise more as a percentage of the base period price than would prices in other industries which enjoyed a much better profit position during the base period.

It is of utmost importance that we distinguish between the "real cost" of steel and its "list price." In times of steel shortage, listed mill prices do not truly reflect the "real cost" of steel to the user. Whenever the user is forced to resort to costly "conversion deals," or the purchase of warehouse steel to fill out his manufacturing requirements, or piecing together odd sizes, or utilizing for fabrication pieces which would normally be scrapped, or using more expensive grades and/or secondary products because normal grades and prime products are not available, or when the user is unable to maintain adequate inventories to insure continuous production—then the "real cost" of steel to the user is substantially greater than the published mill price.

During one of the severe shortage periods since the war, one of our largest customers told me that "conversion deals" alone increased the *average* cost of *all* the steel he used by \$5 per ton over listed mill prices.

In short, it has now become axiomatic that "low priced steel" in short supply is really "high cost steel."

The industry has made great progress since World War II. Our securities are now regarded with much greater favor than for many years past. Our profit position is improved. Price increases and the stability of the price structure have contributed importantly to our improved position. But we have not yet achieved our goal. I am sure that we cannot achieve it without a continuation of our modernization and expansion program and without further price increases.

The industry is keenly aware of the fact that price increases must be gauged in such manner that our products will not be priced out of the market. We are in keen competition not only within the steel industry but also with other competitive materials and with goods and services which have a strong appeal to the customer with money or credit. The objective is to establish a price structure which, by assuring the industry's competitive position in the economy, will assure the integrity of the industry and thus its ability to serve that economy.

Jones & Laughlin Steel Corporation's expansion and improvement, now under way, involves a total capital outlay of \$750,000,000 and, when completed in 1958, will increase our capacity from 4,800,000 ingot tons of steel to 7,000,000 tons.

J. J. NOLAN, Jr.

President, The Central Foundry Company

Since the cast iron pipe industry is so closely allied with the building industry and because so many opinions have been offered as to the probability of progress in the year 1956, it is very difficult to forecast the outlook for cast iron pipe. However, in my opinion there will be a period in the first part of the year when the industry will find a much slower pace but because of the evident need for construction in many fields, including residences, hospitals, schools and industrial, the whole year should give a very satisfactory volume. What action is taken in the mortgage and credit fields will necessarily determine the rate at which building will go forward. If actions are not too drastic I believe funds will be forthcoming from many sources that would provide the impetus for good business in the building field. The continued smooth flow, however, may be interrupted while the contemplated actions in the credit field are being worked out. All in all, I believe 1956 will measure up close to 1955.

P. J. NEFF

Chief Executive Officer, Missouri Pacific Lines

The year 1956 will be a year of decision for the railroad industry generally and the Missouri Pacific Lines in particular. From an industry standpoint, solution of the unfair competitive position the railroads occupy in America's transportation scheme due to government policies will be an issue before the Congress. For the first time since competition entered upon the transportation scene, an Administration has recognized the inequality that exists between various modes of transportation and has had the courage to do something about it. All eyes of the transportation world will be upon Washington this year, hoping and expecting that Congress will restore competitive pricing in transportation to the market place—where it belongs.

P. J. Neff

From the Missouri Pacific's particular standpoint, 1956 will be a year of decision, for we look forward to the termination of the bankruptcy proceedings under which this property has operated since 1933. Missouri Pacific was the first railroad during the depression days of the '30's to file a petition in bankruptcy under Section 77-b and it is the only major railroad still under the jurisdiction of the Federal Courts.

From a business standpoint, 1955 has been a good year for MoPac and we look forward with moderate optimism to a continuance in 1956. 1955 carloadings were 7% higher than 1954. System gross operating revenues are estimated at \$300 million for 1955, up about \$15 million over 1954. We expect to bring down to net income a little more than \$17 million. For the new year the traffic outlook is equally as good as in 1955 but rising costs of materials, supplies and taxes, plus wage increases of \$13¼ million last year—unless offset by the 7% freight rate increase which the carriers have asked for—will reduce our net income this year.

Missouri Pacific is enjoying the economies of diesel locomotive operation since the last steam power was retired in April, 1955. Old facilities, such as coal chutes, roundhouses and water tanks, have been removed and old steam locomotive shops have been converted into modern facilities for servicing and maintaining diesel units.

In the field of communications, Missouri Pacific Lines has made great strides in recent years. All diesel locomotives and all cabooses are equipped with radio for cab-to-caboose communication and from trains to wayside stations. Also in the communications field, a centralized telephone checking system was installed this year in the Kansas City freight station to expedite the loading and unloading of merchandise freight. Walkie-

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talkies in freight yards are also coming into use on the Missouri Pacific.

In the year just ended, Missouri Pacific has added 1,500 box cars to its freight car fleet and has programmed a similar number of cars for 1956. Extensive repairs have been given to 3,000 box cars, putting them in condition for handling high class freight.

Early in 1956 Missouri Pacific will establish its version of train-truck service. Instead of loading the complete trailer on flat cars, Missouri Pacific will lift the truck body from the chassis with a traveling crane, transport the body in an open top, flat bottom car and at destination again place the body on a chassis for delivery of that merchandise to the consignee's door. Missouri Pacific will initially establish this service between St. Louis and Kansas City.

C. F. NORBERG

President, The Electric Storage Battery Company

It is my opinion that the prospects are bright for the industrial storage battery business in 1956. This important segment of the storage battery market usually follows fairly closely the trend of the general economy.

C. F. Norberg

With capital expenditures expected to reach record-breaking proportions as the major industries prepare to expand their productive capacity, the industrial storage battery business should benefit.

Industrial battery manufacturers already are beginning to feel the effects of expansion in commercial aviation, electrical power generating facilities, and such vast water supply projects as the Chicago tunnel and the Delaware aqueduct.

Motive power and railways are the primary areas in which 1956 looks most promising for industrial batteries for both original equipment and replacement. Motive power services include industrial trucks for materials handling and battery-powered mining equipment, while railways use batteries for Diesel locomotive starting, passenger car lighting and air conditioning, and signaling.

The constant expansion of utilities and telephone services which is closely related to population growth also holds promise of increasing sales of industrial storage batteries, which now are used in more than 250 applications touching virtually every phase of modern living.

Sales to the Government of batteries for a variety of standard and special applications will depend upon defense spending allocation. We are hopeful that we can maintain our 1955 level of sales in the category.

The automotive battery industry, too, should enjoy a good year in 1956. As reported to the American Association of Battery Manufacturers, it has been estimated that total sales of automotive replacement batteries for 1955 will aggregate 24,300,000 units. The estimate for 1956 is put—conservatively, I believe—at 25,000,000 replacement units, an increase of approximately 3% over 1955 unit sales. We shall see most strongly this year that many of the new vehicles which went into service in 1954 will be needing replacement batteries. Hence an increase of 700,000 units over 1955 is conservative.

At the same time, total motor vehicle registrations in 1955 are estimated at 61,301,000, an increase of nearly 3,000,000 over 1954 when 58,590,000 vehicles were registered. Sales of 8,000,000 new automobiles and 1,250,000 new trucks indicate a total of 9,250,000 motor vehicles produced in 1955. Since the automotive industry has revealed that it expects its 1956 production of new cars and trucks to be about the same as 1955, the total requirements for replacement and original equipment batteries in 1956 will be in the neighborhood of 34,000,000 units. Field stocks of automotive batteries were by no means excessive at the end of 1955, another factor that augurs well for 1956 in this important market.

RAYMOND OLSON

President, Mutual Trust Life Insurance Company, Chicago, Ill.

What's ahead for business in 1956? Trouble. What kind of trouble? All kinds of trouble.

We have had it too good. It has been too easy to be comfortable. Nice new two cars, nice new two television sets, nice new everything and our credit has been absolutely good. We have not a worry in the world so long as we do not miss a single pay check.

But, in 1956 pay checks will be missed and then there will be trouble. The automobile industry pushed too hard. That market is now glutted. Cutbacks in Detroit will produce cutbacks in Pittsburgh and Chicago, and the repercussions will be felt throughout the land.

Because the automobile industry has been responsible for the greatest part of the increase in instalment debt, it will be the whipping boy. Like the banks and the stock exchanges in the early 'thirties, it will have to bear the brunt of Congressional and Department of Justice actions.

All of us will be hurt. Those of us who keep our own personal affairs and our company's affairs in the strongest condition will be hurt less and we will be in a better position to mend the damage done by the egomania of the automobile industry.

ROBERT G. PAGE

President, Phelps Dodge Corporation

The year 1955 was notable for an uninterrupted rise in the level of industrial activity. The copper industry shared in this high rate of activity. When the records for the year are final, refined copper consumption in

Robert G. Page

the United States will be found to be close to 1,400,000 tons as compared with 1,232,000 tons for the year 1954—a rise of about 13%. The peace-time record for copper consumption in the United States was 1,438,000 tons established in 1950, but consumption in that year was substantially increased by the outbreak of fighting in Korea at mid-year.

The increase in industrial activity in the United States was accompanied by a continuation of the upsurge in activity in West Europe. Deliveries to foreign fabricators during 1955 will be about 1,300,000 tons as compared with 1,247,000 tons in 1954. Although not an all-time record, copper consumption abroad in 1955 established a new high for the postwar period.

The satisfaction of the extraordinary copper demand throughout the world in 1955 was rendered difficult by a series of labor disturbances in the major copper producing areas. Three of these labor disturbances developed into major strikes—one in the Rhodesian copperbelt during January and February which resulted in a loss of about 40,000 tons of copper, one in the domestic copper mines during July and early August which resulted in a loss of about 80,000 tons of copper and one in Chile which began Dec. 14 and has resulted in a loss of about 20,000 tons of copper to Dec. 31. As this is written, the status of the Chilean strike is uncertain. Total copper lost by strikes in the major producing areas thus amounted to about 156,000 tons for the year.

Industry stocks of copper at the beginning of 1955 were at a minimum. Accordingly, these major interruptions in production created temporary shortages of copper which were mainly responsible for the several advances in the price during the year. The loss of copper during the Rhodesian strike in January and February caused the foreign price to advance sharply during the first quarter of the year and in March foreign copper was reported sold as high as 45 cents per pound.

The necessity for maintaining the flow to this country of that portion of foreign production necessary to supplement our domestic production forced domestic consumers to meet the bids of foreign consumers in the world markets and, inevitably, forced an increase in the domestic producers' price from 30 cents to 36 cents per pound. Once again, during the strikes at the domestic mines during July and August, the foreign price advanced and the domestic price was forced to follow.

It rose to 43 cents per pound where it remained to the end of the year. The price for copper produced by the domestic smelters and refineries varied from 45 cents per pound to about 51 cents per pound during the last part of the year. The higher price for this copper was necessary as these smelters and refineries must purchase their raw materials in the form of concentrates, unrefined copper, and scrap in competition with foreign custom smelters and refineries.

The shortage of copper would have been worse if the Office of Defense Mobilization had not given aid to distressed fabricators of copper by authorizing the release of copper from the Defense Production Act inventory and by permitting deferral of deliveries to the stockpile. The British Government also helped to alleviate the shortage by releasing 65,000 long tons from its inventory.

Despite the strikes during the year, domestic primary production for 1955 will exceed 1,000,000 tons as compared with 864,000 tons during 1954. Foreign production for the year will probably exceed 1,600,000 tons as compared with 1,500,000 tons in 1954. Domestic primary production is currently at a rate of 1,128,000 tons per year—an all-time record rate. Foreign production toward the end of the year was running at a rate of 1,700,000 tons per year—also an all-time record rate.

Net primary imports during 1954 amounted to 368,000 tons and will closely approximate this level in 1955. In the latter part of 1955 there was a tendency for net primary imports to increase. This, if continued, will tend to further ease the domestic situation.

The continuance of a high level of demand for copper in 1956 will depend upon the maintenance of a high rate of industrial activity, particularly in the construction and consumer durable goods industries both here and abroad. Most forecasters are cautiously optimistic on the outlook for 1956. However, even though industrial activity in 1956 does average higher than that of 1955, fears of a continuing copper shortage are exaggerated. New mines and completion of new facilities at existing mines are expected to increase production during 1956 by more than 200,000 tons. This additional production providing the industry is not subjected to prolonged strikes, will materially aid in meeting any increase in demand for copper in 1956.

W. A. PARISH

President, Houston Lighting & Power Company

Houston Lighting & Power Company experienced in the year 1955 one of the best years of its history. We look toward 1956 in anticipation of substantially as good year, or perhaps a slightly better one. The economy

W. A. Parish

of the area served by our Company is well diversified, embracing substantial industrial, agricultural, and import-export activities.

The construction of new homes and commercial buildings throughout our services area is running at an indicated rate of approximately 20,000 units per year, and we expect a like growth in 1956. The shift in the trend of new home-starts has been toward a lower cost dwelling unit rather than a decrease in the number of units. Our chemical industry is running at near capacity and is still expanding with respect to both existing plants and the construction of entirely new plants. Future increases in the use of air conditioning are particularly encouraging even though we serve one of the most air-conditioned areas in the nation.

This Company's plans for construction and expansion during 1956 evidence our confidence in the continuing growth and development of the Texas Gulf Coast. Construction expenditures for the year ahead are expected to be approximately $34,000,000, including such projects as the commencement of a second 165,000 kw generating unit at our new Bertron plant. We will also begin construction of additional 132 kv transmission facilities to Galveston Island and between our Webster Plant and the Angleton, Texas area. The principal purpose of these new lines and plants is, of course, to supply the rapidly increasing demands for electric power in these areas. We shall also construct two new service centers, one south of and the other northwest of Houston, carrying forward a long range plan for decentralization of operations and better service to our customers in Harris County.

All in all, we look forward to a very satisfactory year in 1956. This view is bolstered particularly because of the many projects already underway and in sight which will be developed throughout the year.

MUNDY I. PEALE

President, Republic Aviation Corporation

The nation's aviation industry expects in 1956 a year of fairly steady production, with some adjustments in employment, and increased emphasis on research and development. We expect industry to produce about 12,700 planes, about the same output as in 1955, of which 8,400 were for the military. These figures are based on statistics of the Aircraft Industries Association.

Mundy I. Peale

Based on government policies of steady peacetime procurement for air defense, production in the industry is in what is expected to be a stable phase. Employment in the aircraft and parts industry late in 1955 totaled 740,000 persons, up from 738,000 in mid-year. I expect industry-wide employment to remain at about the 740,000 level for 1956. This figure compares with 768,000 for 1954 and 779,000 for 1953, when results of the rapid production build-up during the Korean War were still being felt.

Great benefit will result to the nation from a government policy of maintaining a sizable Air Force in a continuing up-to-date condition. The aviation industry's ability to rely on a program of steady and orderly procurement of aircraft of continually improving performance enables us to invest with confidence in a stepped-up program of research and development.

It is through intensive research that we shall be able to solve the secrets that we are being confronted with in higher and faster flight. That is the only means by which we can assure ourselves of continued progress and leadership in airpower for defense.

Republic, for example, is in the midst of a two-year $12-million expansion program, financed from company earnings, that heavily emphasizes new facilities for research and development. The program provides for a concentrated research assault on problems arising from the "thermal barrier," the point in very high-speed flight where heat generated by friction of air against metal causes most of the alloys used in today's aircraft to lose strength. New testing and computer equipment also will facilitate pre-testing of new developments to prove them out at an early stage. This will help us make our technical advances at the lowest possible cost.

Current volume-production items at Republic are the F-84F Thunderstreak, atom-bomb-carrying jet fighter-bomber that holds the transcontinental speed record of 652 miles an hour, and the RF-84F Thunderflash, very high-speed photo-reconnaissance plane. Both are going to the U. S. Air Force and Allied Air Forces in the North Atlantic Treaty Organization.

The company's F-105 fighter-bomber, the nation's newest supersonic airplane, made its first test flights late in 1955. Other craft in work at the company include the RF-105 photo-reconnaissance plane and the XF-103, secret, very advanced interceptor.

J. H. PENICK

President, Worthin Bank & Trust Co., Little Rock, Ark.

James H. Penick

Business will be as good in 1956 in this area as it was in 1955. Some tightening of consumer credit and real estate financing, but plenty of funds for commercial lending. Agricultural areas not quite as favorable, but approximately the same as in 1955.

DAVID PERROT

Chairman, Norbute Corporation

Satisfactory progress has been accomplished by the Norbute Corporation in the six months since its diversification program began. The combination of engineering talents and resources brought together through the company's series of acquisitions is paving the way for increased growth and development.

David Perrot

Our estimated annual sales volume at this time is $8,000,000 and earnings in the third quarter of 1955 were $208,177. Sales for the first nine months of 1955 were $3,701,482 and earnings were $407,914. Sales and earnings of the corporation were purely nominal in 1954 and prior to May 1, 1955, when Jackson & Church of Saginaw, Mich., and the Metalab Equipment Corporation of Hicksville, Long Island, were acquired by the company as operating divisions.

Jackson & Church, established in 1881, is a well-known manufacturer of industrial process machinery and warm air heating equipment. In addition, this division of Norbute is now engaged in the development of light-weight building products and holds a 50% interest jointly with National Cylinder Gas in Tube Turns Plastics, Inc., of Louisville, Kentucky.

Metalab designs and manufactures all-metal laboratory equipment and furniture. Principal customers of the Metalab division are in the industrial, institutional and educational fields.

An interchange of engineering talent and ideas has resulted from the combination of these units, and each unit has so far been able to benefit from the knowledge of the others. We feel that this interchange will result in new and more advanced engineered products that will add materially to Norbute's earnings.

ERVIN PIETZ

President, Barry Controls Incorporated

A 20% increase in new business is expected by Barry Controls Incorporated in 1956.

We expect that the increase will come primarily from increased sales of machinery mountings and from special suspension systems developed by Barry for guided missiles. Our company produces a complete line of shock, vibration and noise control devices for both industry and the armed forces.

Ervin Pietz

Though the total billings for 1955 will be about the same as for 1954 the new orders received increased by 15%. However, a figure that is even more significant to the future of the company is that the percent of nonmilitary business to total business increased by 10% during 1955.

Sale of the industrial machinery mounts is continuing to increase and is making a substantial contribution to amount of nonmilitary business.

To further boost the nonmilitary share of the company's operations, Barry is expanding its product line on the industrial machinery mountings, and is emphasizing applications of the mounts in other than the metal-working industry, where the mounts have gained wide acceptance.

During the last half of 1955, Barry's engineering department has been expanded, and a number of unusual and complex problems in protecting electronic equipment in guided missiles have been solved. The units used in the solution of these problems are now in the experimental stage, but production is expected to start on them during 1956.

A new building located adjacent to the company's present quarters in Watertown, Mass., to be completed this month, will increase space by 60%. This will enable Barry to accommodate the expected increased volume of business.

JOSEPH N. PEW JR.

Chairman, Sun Oil Company

The oil industry is beset with many problems which at time make us wonder if we are not almost in a different world from most other industries.

Joseph N. Pew, Jr.

So far as our business is concerned, I can see very little change in the months ahead. We are in four major industries—production, transportation, manufacturing and marketing. The factors of supply and demand in each of these four great divisions seem at times to vary with complete independence one from another. Therefore, the emphasis sometimes switches drastically, depending on the rate of discovery of new production in the field, transportation variables whether at sea or on shore, progress of highway development, and sales depending on the moods of the consuming public. All in all, however, these seem to balance out into one which is reasonably in balance.

W. T. PIPER

President, Piper Aircraft Corporation

1955 has been an unusually good year for the light plane industry and unless conditions change materially for the worse, it looks as if 1956 will be even better. There has been a great change in the thinking concerning aviation and a corresponding change in the kind of planes which are being produced.

W. T. Piper

For many years, practically all of the light planes made were for two passengers and had both limited speed and range. As the airports, navigational aids, radios, and engines were improved, the airplanes were made larger and more useful. All of these things had to develop together.

For many years most of the airliners had two engines, but the small planes had but one engine. Most pilots do not like to fly in doubtful weather, at night, or over a large expanse of water with one engine, so a demand developed for planes with two engines. Until four years ago, no satisfactory small Twin was available. Since that time, Aero Commander, Beech, Cessna and ourselves have all designed easy-to-fly Twin engine airplanes, seating anywhere from four to seven passengers and the price ranging from $35,000 to $80,000.

These planes have proven exceedingly useful. Private owners, contractors and executives in small factories are buying them in large numbers and as time goes on, the big companies which now have a small number of expensive planes for the top executives will doubtlessly purchase the small Twins for the less important employees to use.

These small Twins are going to revolutionize non-commercial flying. They will be flown regularly over the top of cloud formations and they will be used very extensively at night. Flying high is much safer than staying under the overcast and the future should see an enormous increase in charter work and executive travel in airplanes.

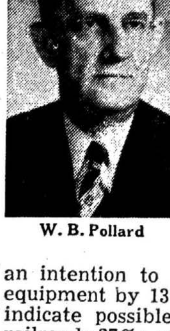
The first cost of these airplanes is too high for many of the operators of small airports, but when they have passed through several hands, the price will be reduced so that the operator of any active field will be able to get one at a price that he can pay.

We, in the industry, feel that we are now on the right road and that the small plane industry will increase in volume steadily.

W. B. POLLARD

President, National Bank of Commerce, Memphis, Tenn.

The year 1956 begins with business at a very high level; in fact, almost boom proportions. The increase in business during the past year, as measured by the Federal Reserve index of industrial production, increased from 132 to 142, or 7%, during the year. While in most quarters the level of production is expected to maintain a higher level than during 1955, especially during the first half of next year, expectations are that the total rise in production should not be as great as in 1955.



W. B. Pollard

Employment and wages are near an all-time high and if there should be tax reduction in 1956, individuals would be left with a corresponding increase in purchasing power.

Surveys show non-residential construction will be about 7 to 8% larger than in 1955. The McGraw-Hill, from a study of business plans for capital spending in 1956, reports an intention to increase spending for new plants and equipment by 13% over 1955. Manufacturing industries indicate possible increases in investment up to 30%; railroads 27%; commercial firms 10%. Public construction, including roads, schools, and public facilities, should be larger than in 1955. Defense spending is being planned at a slightly higher level than last year. Residential construction is expected to be less than last year, due to some extent to the reduction in the terms of long-term mortgages from 30 to 25 years, and to slightly higher interest rates.

There are four weak spots in the economy:

(1) There is undoubtedly an excess of residential building in some areas with resulting falling prices in old houses and increasing numbers of houses for rent. It is generally believed by many that terms were too liberal on many types of U. S. guaranteed loans for residential building and that this type of debt was becoming excessive.

(2) Consumer credit has expanded very rapidly and terms have become very liberal — from nominal to no down payments. Liberal credit terms of 36 months or more were at least partially responsible for the large number of automobiles sold in 1955. Higher prices and higher interest rates seem to have placed some damper on the sale of new models. Credit for purchases of appliances has also greatly increased, with terms of no down payment to very small down payment having been offered in many cases. While such credit may be repaid if individual earnings remain high, any material drop in employment or in individual earnings could have serious results on instalment credit and upon repossession and resale of repossessed items. The present credit situation fully warrants a careful screening of such credits and certainly a determination of what the prospective borrower already owes on instalment credit and the chances for the stability of his income.

(3) Agriculture continues to have difficulties in a cost-price squeeze. The 1955 yields of crops have been very favorable in this area, with good incomes to many producers. Increased mechanization and reduced acreage have tended to reduce the number of people on farms with a corresponding reduction in business in some of the smaller towns in the agricultural areas. Indications point to further acreage restriction in 1956 and reduced support prices for cotton, corn, wheat and rice. Hog prices have been very low recently but hopes are that the prices should stabilize and perhaps be some stronger in the last half of 1956. The decline in cattle prices seems to have leveled out with prospects of as good or better prices in 1956. Over-all agricultural income will likely again decline in 1956.

(4) The business inventory position provides a big question mark. Inventory accumulations generally run from 12 to 18 months. A year ago business inventories were being liquidated at an annual rate close to $5 billion. During the last quarter, inventories were being accumulated at the rate of $2½ billion per year; thus, the total swing in inventory position has been over $7 billion per year. Total business has risen during the same period by almost $7 billion per year, and the stock-sales ratios are generally lower than a year earlier. The inventory buildup is not likely to be as rapid in 1956 as during the past 12 months and any change in attitude again to lower inventories would greatly lessen the demand for many products.

Industry continues to move into this area. Ample native farm labor, favorable climate and adequate low-cost electricity are attractive. The Mid-South area has made tremendous strides in electric power production and utilization. The following table shows power production in millions of kilowatt hours in 1940 and 1953:

State	1940	1953
Tennessee	2,453	14,467
Arkansas	222	3,746
Missouri	1,605	5,107
Mississippi	67	2,476
Louisiana	2,035	6,274

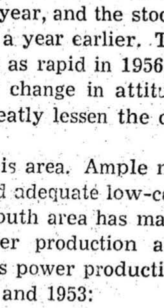
Electric power production and utilization have continued to increase in 1954 and 1955, with power sales to both residential and industrial users having increased by about the same volume.

Business in 1956 seems destined to start at a very high rate, but with competition keen. Even if the pace of business should slow down during the year, 1956 should prove to be one of the better years — especially for the business which operates with efficiency and energy.

ABNER S. POPE

President, The Seaboard Citizens National Bank of Norfolk, Va.

Looking ahead — When you consider the many things effecting business, there are indications that the economy will level off in 1956; however, the momentum of a boom year, expected individual wages at a higher level, an upward trend in expenditures by Government, States and Municipalities, justify the prediction of another good year. Expanding business has created a strong demand for loans, resulting in higher interest rates encouraged by the desire of the Federal Reserve Board to curb inflation tendencies, but increased interest rates alone will not deter the consumer-spender, so we must look beyond the November election for developments to disturb the fickle confidence factor.



Abner S. Pope

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GWILYM A. PRICE

Chairman and President, Westinghouse Electric Corp.

The strike at Westinghouse plants, which began on Oct. 17 of last year, has naturally had a disruptive effect on the company's operations for the year. It has, unfortunately, overshadowed a great many significant developments and achievements in all divisions of Westinghouse during 1955. Nevertheless, these achievements tell the real story of our progress during the year and will, we are sure, play a very effective role in shaping the company's future.

Gwilym A. Price

Westinghouse operations in 1955 were highlighted by unprecedented expansion of facilities for research and development, and a continuation of outstanding accomplishments in the field of atomic energy. Six major new facilities were placed into operation or were well under way.

Especially significant was the completion and occupation of the new multi-million-dollar Westinghouse Research Laboratories in Churchill Borough, near Pittsburgh. These laboratories, most modern in the electrical manufacturing industry, are a natural and necessary outgrowth of the increased emphasis we are placing on research, particularly fundamental research—the cornerstone upon which scientific progress rests. Inevitably such research provides the answers to practical problems, and paves the way for the technical advances which make possible the products of tomorrow.

During the year, our research scientists made a number of valuable contributions to fundamental scientific knowledge. These include: (1) The discovery of a new property of metals at very low temperatures which sheds new light on the unique flow of electric current in these materials; (2) the attainment of vacuums so perfect they approach the emptiness of outer space; (3) further insight into the "secrets" of the behavior and preparation of metals and alloys; and (4) greatly improved understanding of such phenomena as electroluminescence, semi-conductors, and the atomic structure of metals.

As this fund of basic knowledge was increased, other scientific contributions of the past reached fruition during 1955 in a long list of technical advances by the company. Achievements were recorded in new and improved products, new engineering developments, and new manufacturing techiniques.

Typical of these developments are:

A new high-temperature insulating enamel for copper wire;

New and improved methods for refining titanium and other hard-to-get metals;

A new, large-screen color television tube;

A transistorized torpedo control for the U. S. Navy;

Propulsion equipment for the nation's first super-aircraft carrier, the "Forrestal";

A revolutionary x-ray movie unit;

Development of improved magnetic materials;

Introduction of large power rectifiers made of silicon;

A new method of water sterilization using ultra-violet lamps.

Also during the year, we completed what we believe to be the most complete facility in industry for the development of new metal alloys and metallurgical techniques. Located at Blairsville, Pa., this plant permits the design and pilot-scale production of new and improved metals and alloys—bridging the gap between the metallurgical research of today and the materials from which we will build the products of tomorrow.

Plans were completed in 1955 for the world's first industry-owned materials testing reactor at a cost of $6,500,000. It will be used for the full-scale testing of atomic power plant components under actual operating conditions, and will help answer some of the most pressing problems now facing the atomic power industry.

The year also saw the completion of an expansion program at our steam division in South Philadelphia, Pa. Included in this expansion is an ultra-modern research and development laboratory which will provide the facilities for an attack on many of the problems whose solutions will lead to major advances in the design of steam and gas turbines.

Construction of a $12,500,000 Westinghouse jet research and development center began in 1955. Located at Kansas City, Mo., this center will provide for research and development on new jet engines and for improving existing types.

At Baltimore, Md., a $7,000,000 expansion of our military electronics operations was started during the year. This includes extensive engineering, manufacturing, and laboratory facilities.

Also under construction, and now nearing completion at Sharon, Pa., is a new sound laboratory for the development and testing of improved transformers.

Another outstanding example of the fruits of technical progress was the company's decision during 1955 to engineer and manufacture a whole new group of devices which only a short time ago were in the hands of our laboratories.

A director systems department was organized to engineer, manufacture, and sell our new Cypak systems. These control systems, containing transistors and magnetic amplifiers and having no moving parts, are a significant forward step toward completely automatic manufacturing processes.

Applying these principles to our own operations, we are now building the company's most advanced and highly automatic manufacturing facility at Youngwood, Pa. This ultramodern plant will be a close approach to true automation and will manufacture transistors, rectifiers, and other semiconductor devices.

During 1955, the company continued its outstanding record of achievement in the field of atomic power.

Early in the year, the submarine "Nautilus" went to sea, propelled by energy from a reactor built by Westinghouse for the Atomic Energy Commission and the Navy. The historic message, "Under way on nuclear power," heralded one of the company's greatest scientific and engineering achievements and opened the era of useful power from the atom.

In 1955, the Navy awarded Westinghouse a contract to design two additional nuclear reactors for submarines, and we currently are working on the first reactor for a large surface vessel.

Construction is proceeding rapidly on the world's first full-scale reactor plant for an electric generating station. The reactor is being built for the Atomic Energy Commission. The station, to be operated by Duquesne Light Company, is being erected at Shippingport, Pa., and is scheduled for completion in 1957.

A 150,000-kilowatt atomic-electric generating station, to be built by Pennsylvania Power & Light Company, was announced in 1955. Westinghouse is co-developer with PP&L in the design of the pioneering homogeneous-type reactor, and will supply the reactor and related electric generating equipment.

In 1955, atomic energy took on an international flavor. Shortly after our participation in the International Conference on Peaceful Uses of Atomic Energy, Westinghouse became the first American company to market an atomic power plant abroad. The plant will be built by Westinghouse for the Syndicat d'Etude de l'Energie Nucleaire of Belgium. The Belgian plant is expected to be the first operating atomic-electric power plant to be financed entirely with private capital.

It is the ninth reactor project announced as the responsibility of Westinghouse in the fast growing, new atomic power industry.

While a combination of circumstances made 1955 an unsatisfactory year for Westinghouse as to sales and earnings, we are confident that our greatly increased production facilities will contribute much to an improved 1956. At the same time, our accomplishments and unequaled facilities in research and engineering will insure the long-term growth of the company in the dynamic electrical manufacturing industry.

Sales and earnings were adversely affected during the year by diminished backlogs of orders for heavy apparatus resulting from a decline in new orders for this equipment in 1953 and 1954; by the cancellations of orders for defense products; by extraordinarily heavy expenditures required to get production under way in numerous new plants; by the high cost of the rapid amortization of new facilities and, most seriously of all, by the unprecedented amount of production lost through strikes and work stoppages.

Fortunately, most of these problems are behind us. Although price competition was severe, new orders for heavy apparatus booked in 1955 showed a substantial gain over 1954 and our backlog for this equipment is now well above the level prevailing at the beginning of the year. In defense products also the backlog of orders is again building up. The $296,000,000 expansion program begun in 1951 is now completed and the many fine new facilities we have built are fully staffed. With resumption of normal operations, we can look forward to an increasing contribution to earnings from these facilities.

Despite the many difficulties we faced, particularly in the early part of the year, there was good evidence that the company was making a recovery and that our performance for 1955, while below that of 1954, would be creditable. This prospect, however, was thwarted by the adamant and paradoxical stand of the International Union of Electrical, Radio and Machine Workers (IUE-CIO).

This union, in August, signed a five-year agreement with our largest competitor providing for annual wage increases, plus pension and insurance benefits and cost-of-living wage increases. We prepared an offer equal in value so that Westinghouse employes could share these benefits and so that the company could look forward to the same degree of labor peace and stability during the next five years.

But the union said "no" and on Oct. 17 called its members out on strike. Unaccountably, the union leaders still refuse from Westinghouse wage increases and other benefits equal in value to those which they accepted from our principal competitor.

We firmly believe that our position is reasonable, and that our offer is just. Eventually, the strike will end on a basis that will not create a competitive disadvantage for Westinghouse. When this settlement is achieved, we are confident that Westinghouse will resume the exceptionally rapid growth and progress it demonstrated throughout the post World War II era, until 1955.

MILTON R. RACKMIL

President, Decca Records, Inc.
President, Universal Pictures Co., Inc.

The entertainment business, particularly motion pictures and records, should continue to be prosperous in 1956.

As President of both Universal Pictures Company and Decca Records, it is my consistent belief that the American public, now more than ever, is eager for additional, wholesome recreation.

Milton R. Rackmil

The motion picture business has benefited substantially from the expanding foreign markets. There is every indication that our income will continue to increase in the world markets.

This, coupled with the domestic market holding up, should be an important factor in the year ahead.

It is also clear that different media of the entertainment business stimulate the public's general appetite for diversified recreation.

We feel that there is not one but many publics. The desire to be amused is certainly an international one. Our business is, like all others, related to the general economy.

With employment up, and with extra hours available for leisure, it is my confident prediction that amusement business will remain healthy and exciting.

L. J. RANDALL

President, Hecla Mining Company

In general, I believe the market for copper, lead and zinc appears at least fair for the year 1956, although many marginal zinc producers are finding it difficult to produce zinc at the present price of 13¢ because of the high cost of production. The future of zinc is, to some extent, dependent upon the automotive industry.

The big difficulty appears to be the maintenance of adequate ore reserves for domestic production from zinc and lead mines in this area and throughout the Northwest. In order to maintain adequate reserves, it is necessary that mining companies continue their exploration for new deposits to replace those presently being mined out. Exploration costs are very heavy as compared to that of a few years ago. Furthermore, it is much more difficult to find new deposits. If we are successful in one out of ten tries, we feel we are doing fairly well.

One of the greatest deterrents to the exploration for new mines is our tax situation. It is true that we are entitled to percentage depletion and there are many who are not familiar with the problems of the mining industry who contend that this is a special concession. However, let me assure you that this is not true. I doubt very much whether I would be able to convince my directors that we should go into any kind of an exploration venture unless we were entitled to percentage depletion in event you became successful. Percentage depletion compensates, to some extent, for the nine failures you have before you find a successful mining operation.

Our Federal income tax laws should be revised to permit a full write-off for exploration costs. At present, we are limited to not more than $100,000 per annum and after having taken such a write-off for four years, we cannot take any further write-off. I believe that the removal of the limitations on the write-off for exploration costs would help mining executives considerably in presenting a proposed project to his Board of Directors. Actually the government would not lose any revenue because I am sure this would encourage exploration and ultimately increase taxable revenues from the mining industry.

In summarizing, I think the present outlook for operating mines insofar as lead, zinc and copper are concerned is favorable. However, as these mines become worked out, I am fearful that it may be difficult to replace them with new deposits a few years hence.

MARTIN M. REED

President, Mergenthaler Linotype Company

This company, with its line of typesetting machines and related parts and accessories is a prime supplier to the printing and publishing industry. Our subsidiary, Davidson Corporation, also supplies the printing and publishing industry with small offset presses and duplicators, folders, offset printing plates and masters, and similar equipment. As office equipment, most Davidson products are also sold to a broad segment of American financial, government, trade, and manufacturing organizations.

My statement, therefore, includes an evaluation of 1956 prospects for the printing and publishing industry against a background of broad economic developments as well as an appraisal of indicated growth possibilities in the office equipment field.

During 1955, Gross National Product increased by about $30 billion to an all-time high of $387-$390 billion. The Federal Reserve's industrial production index climbed 10.4% to 138. This favorable general economic picture was reflected in the level of activity within the printing and publishing industry. Significant developments included:

(1) FRB Printing and Publishing Index—up about 5.8% to an indicated 127.

(2) Number of books published—up about 4.5% to an indicated monthly average of about 1,050.

(3) Advertising in printed media—$7.4 to $7.5 billion during 1955, with newspapers showing a gain of about 11% and magazines, about 9% over 1954 levels.

(4) Newsprint usage 8% greater than 1954.

(5) Printing paper production about 7.5% greater than 1954.

(6) Continuing plant construction boom in the newspaper industry.

The office equipment field also experienced significant gains over the previous year. One indication of this is an increase of about 15.2% in the McGraw-Hill new orders index for office equipment.

The printing and publishing industry will undoubtedly participate in whatever further general economic growth occurs in 1956. Gross National Product is currently forecast at a level between $400 and $410 billion, with the FRB index of industrial production expected to climb to between 140 and 145. This rate of increase is, of course, less than that experienced in 1955. Also, although most forecasters agree that the first half will show further improvement over current levels, differences of opinion exist as to what will occur during the latter half.

During the first half, printers and publishers should continue to benefit from high advertising and promotional expenditures. During the second half, a possible leveling off or moderate decline in general activity should not disturb the upward trend of advertising. In the past, periods of economic correction have usually been accompanied by an intensification of competitive pressures. This has served as a stimulus to advertising, barring a severe economic shakeout. The degree to which newspapers can absorb increased advertising, however, may be somewhat curtailed by newsprint shortages.

Conditions appear favorable for the office equipment field during 1956. The distinct long-term trend toward office automation and work-flow simplification should encounter nothing on the economic horizon during 1956 which would halt further growth.

C. H. REEME

President, The Udylite Corporation

We at Udylite feel certain of good business for 1956; in fact, we expect to set a new sales record.

Our principle business is to provide for the needs of those who do electroplating, anodizing and other types of metal surface treatment. We manufacture the various types of equipment, both for small and large production. We develop the processes and we provide the various metals, chemicals and other supplies used in the processes. The Udylite Research Corporation is constantly working on development of better and more efficient processes.


C. H. Reeme

We obtain our business from many fields but the greater percentage of our dollar sales comes from the automotive, electrical appliance, metal furniture, radio and television, business machine and building hardware industries.

According to a recent survey of business plans for capital investment, expenditure for new plant and equipment in 1956 will be greater by approximately 13% than during 1955. The automobile industry has in process and under consideration some very large expansion projects. The best and most efficient equipment and methods are very necessary to meet the keen competition of that industry. While there is some expectation that automotive production will be down slightly during 1956 as compared to 1955, there will be large sums spent in this field in new machinery and equipment. In spite of the possibility of slightly less automotive production, I believe that all of the manufacturers are looking forward to a very satisfactory year.

The household appliance industry is anticipating another wonderful year with sales of appliances even greater than those for 1955. Residential housing may be slightly lower than 1955, but in this field also a year of highly satisfactory business is anticipated.

We are nearing completion of a very substantial expansion of our own facilities and we are, therefore, well equipped to take care of the anticipated larger volume of business in a prompt and efficient manner.

ARTHUR REIS, Jr.

President, Robert Reis & Co.

The year 1955 was a better one than its predecessor for the men's wear industry. The year 1956 should be even better. Through 1954 men's wear, in common with the entire textile industry, received a steadily shrinking percentage of the consumer dollar. Figures in this respect for 1955 have not as yet been published. However, men's wear manufacturers and retailers alike have just had a heartening six months of increased activity. It may well be that the above situation has changed. In any case, a substantially growing population should increase the overall dollar purchases of men's wear, irrespective of whether the percentage of the consumer dollar remains at its present low level, or not.


Arthur Reis, Jr.

Our industry, nevertheless, has been making strenuous efforts to improve its overall volume and profits, not content to rely on population increases alone. New packaging and labeling have made otherwise prosaic garments into vastly more inviting items on retail counters. This is particularly true of white underwear that now invariably appears in brightly colored cellophane packages. New finishes on fabrics and new fabric blends are now suitable for ready washing and drying in the overwhelmingly popular automatic washing and drying machines. Typical here is the PERMA-SIZED finish on knit products of our own company, as well as many "Wash and Wear" garments made from a combination of DuPont's dacron and cotton. An improved package as well as an improved fabric go a long way in terms of stimulating increased sales.

Another important factor that should contribute to increased industry volume in 1956 is the added emphasis on style obsolescence or, stated differently, the increasing consciousness of the American male to dress more stylishly. This renewed interest in better dress has permeated all segments of the men's wear industry, but particularly this is true of sportswear. New colors and new combinations have appeared and have become accepted. Additionally, the Italian influence came strongly into play in 1955 with their casual open collars on sport-shirts as a specific example. In 1956 the Italian (or Continental) influence will no doubt gather more momentum and a new style trend from the Pacific and Far East will vigorously enter the style picture. The impact of style on male buying can be exemplified by the fact that a wardrobe consisting of only white shirts, complemented by one or two sportshirts of out-moded design no longer is considered adequate by most men, regardless of their income bracket.

Additional volume should also come to the industry through higher price patterns. Just as in most other industries, better-quality merchandise is selling increasingly. For the consumer to trade up in men's wear purchases means, for him, better fit, more comfort, longer wear and more interesting styling. National brands and their retail outlets that stress quality products will be the beneficiary. Higher prices in the course of the year will prevail, however, at all merchandise price levels. Raw materials have gone up in price already. Labor increases, in part stimulated by the new dollar-an-hour minimum of March 1, 1956, will combine to have an inevitable effect. It is anticipated that with incomes generally increasing, the public will not rebel at these price increases which, fortunately, are appearing in a period of prosperity.

All in all, a good 1956 is very much in prospect for the men's wear industry.

HARRY RESNICK

President, Channel Master Corporation

The multi-million dollar TV antenna industry, the business that gave a new silhouette to the American skyline, will in 1956 become involved in the fiercest competitive struggle of its brief but dynamic 10-year history.

This prediction is based on the fact that the development of new TV market areas has gone through its period of "boom" growth, and today there is hardly an area in the country that does not receive at least one television station. A slower, more normal rate of market development is now expected to set in.


Harry Resnick

However, TV antenna manufacturers do have two major sources of sales: The normal new TV set sales, and the lucrative antenna replacement market—those existing worn out antennas installed more than three to five years ago. Until now, sales of TV antennas have been closely tied in with the sales of new TV sets. As existing installations become older, the need for antenna replacement will continue to rise.

How great the antenna replacement market is can be explained by the fact that industry experts claim that more than 50% of present TV set-owners are not getting the quality of reception that their present TV sets are capable of giving them. The reason for this is that old antenna installations are no longer in good working order due to weathering and oxidation. In many areas around the country, TV set-owners can actually bring in more channels by changing to an up-to-date antenna.

Color television presents another great market opportunity for the TV antenna industry. 1956 is expected to be the first really big year for color set sales. Estimates of color television sales during 1956 range all the way up to 500,000 units. Whether or not this number is on the optimistic side is a question, but there are a number of TV set manufacturers who have announced their intentions to produce color sets on a much larger scale than previously planned.

Since the consumer will invest anywhere from $500 to $1,000 for color TV, it is the local dealer's obligation to protect the investment by making sure that the antenna is providing the best possible reception.

Here is Channel Master's strategy to meet the increased tempo of competition:

(1) To heavily promote the concept of antenna replacements to the public, pointing out that TV reception can only be as good as the TV antenna. The company's 1955 expenditures on consumer advertising and promotion exceeded $300,000 and this figure will be substantially increased in the coming year.

(2) To continue to expand its antenna line. The company now accounts for about 25% of the total production of the TV antenna industry. It has the most complete line of any TV manufacturer, consisting of more than 400 different models and covering every price range. This wide variety is an important competitive advantage since it permits a distributor to obtain all his requirements from one source.

(3) To expand its accessories line. Channel Master manufactures a complete range of installation accessories, "a business within a business." This also encourages one-source purchasing by distributors.

(4) To expand its raw material operations. The company's most important competitive advantage undoubtedly lies in the fact that it manufactures most of the raw materials used in its products. It owns a $1,500,000 aluminum mill for manufacturing the enormous quantities of aluminum tubing from which television antennas are made.

(5) To accelerate its antenna development program. Channel Master's heavily staffed Antenna Development Laboratory is the largest research center of its type in the country. As competition grows, those companies which will have the best chance of succeeding will be the ones that can continue to introduce new and better products. We count heavily on our research program to keep us in the lead.

Look Back On Good Year

Channel Master's sales volume during 1955 increased 12% over the previous year, bringing the gross total to $14,000,000. Production of outdoor antennas reached the 4,000,000 mark.

In addition, we are going through an expansion of plant space and equipment to maintain our leadership in the industry. We are adding 59,000 square feet—to be completed by Spring—to increase our raw aluminum facilities, and have invested $500,000 for new equipment and machinery.

Employment of Channel Master has been high, and the company payroll jumped from $2,600,000 in 1954 to $3,100,000 during 1955.

One of the major developments of 1955 was the company's decision to greatly expand its activities in the TV accessories field. A number of new accessory products were successfully introduced, including an antenna rotator, installation hardware, transmission wire, electronic couplers, mounts, and similar items essential to the installation of a TV antenna. In all, 25 new antenna and 30 new accessory products were introduced during the year.

Engineers of the company's Antenna Development Laboratory have reviewed the company's entire antenna line to make certain that antennas now being made will continue to provide good TV reception when today's TV viewers make the transition from black-and-white TV to color.

R. S. REYNOLDS, Jr.

President, Reynolds Metals Company

More aluminum will be used in 1956 than ever before. The principal reason is the record supply, made possible by the steadily climbing output of domestic producers. During 1955, they supplied an estimated 3.1 billion pounds of new primary production, exceeding all expectations and setting a new record for the fourth successive year. The supply outlook for 1956 is another new high, with added facilities bringing production up to 3.3 billion pounds.


R. S. Reynolds, Jr.

Aluminum shipments to American industry during 1955 have been about 35% higher than in 1954 and are increasing month after month. Every branch of the aluminum industry has reflected the growth of industrial and consumer markets. The sharpest expansion, however, has occurred in extruded, cast and foil products. New uses for aluminum are still being developed at a rapid rate by the aluminum industry and its customers. The automotive industry is accelerating its consumption of aluminum, with one of the latest models using 197 pounds per car, including gold-anodized aluminum grilles. In contrast, the average use of aluminum ten years ago was less than ten pounds per car.

In the electrical field we have developed a new type of aluminum strip which is self-insulating as a result of special anodized treatment. Drastic reductions in the cost and weight of electrical equipment are expected to result from the adoption of this newly designed aluminum material for transformers and other electrical equipment instead of the conventionally insulated wire ordinarily used.

These new uses are illustrative of what is happening in all of the major aluminum markets, including construction, appliances and packaging. The confidence in the continued growth of aluminum markets is reflected in the entirely new cycle of expansion which is getting under way. The construction of extensions to existing Reynolds Metals plants is progressing rapidly. A new Ohio River Valley plant, to be started early in 1956, will bring the company's total capacity to 1.1 billion pounds. Announced expansion plans of all present and prospective producers will add a total of 1.4 billion pounds of new capacity within the next few years, a 46% increase over the total 1955 capacity.

This new expansion is remarkable for many reasons:

(1) The expansion program begun during the Korean War was completed only a few months ago, more than doubling the nation's annual primary production since 1950.

(2) This expansion has been undertaken even though plant construction costs have continued to rise, far more than aluminum prices have.

(3) This expansion is based entirely on the bright prospects for future peacetime markets. Although the added capacity improves the nation's mobilization posi-

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tion, it is not based on any military emergency orders or requirements.

(4) All of the existing producers are depending entirely on private financing for their capital requirements, without the benefit of rapid tax amortization or government guarantees.

With the continued rapid growth of aluminum markets and in view of the industry's prompt and steady expansion of its supply, the outlook for 1956 is brighter than ever before.

D. A. RHOADES

Vice-President and General Manager, Kaiser Aluminum & Chemical Corporation

The year 1955 has been one of record aluminum production, paced by an even greater market demand. All of the aluminum producing facilities of Kaiser Aluminum & Chemical Corporation have been operating above rated capacity, supplying nearly 30% of the nation's aluminum production.


D. A. Rhoades

There is a strong indication that the present demand for aluminum, due to increased requirements for established uses and the constant growth of new applications, will continue in 1956. Our own operating plans for the year are based on that conclusion.

Moreover, on a long-term basis we see an upward trend in the demand for aluminum. Extensive market surveys which we have made during the past year indicate that by 1960 industry in the United States will require over six billion pounds and by 1965 over eight billion pounds of aluminum annually as compared with the present usage of about four billion pounds.

Based on these surveys, Kaiser Aluminum during 1955 began a new program of privately financed expansion aggregating more than $400,000,000. These new facilities include a new sheet and foil rolling mill of 333,-500,000 pound capacity now under construction on the Ohio River at Ravenswood, W. Va.; a 440,000,000 pound aluminum reduction plant also to be built at Ravenswood; a 500,000 ton alumina plant at Gramercy, La., on the Mississippi River; and various other mill fabricating and chemical facilities.

The sites we have chosen for these new plants offer a number of economic advantages. They make available direct water transportation between our bauxite mines in Jamaica, the alumina and reduction operations in Louisiana, and the new reduction and sheet fabrication facilities in West Virginia. The Ravenswood location brings major production and fabricating facilities within a 500 mile radius of 70% of the nation's aluminum usage. And, perhaps most important of all, is the assurance of an adequate long-range supply of economical power derived from coal.

The aluminum industry is, therefore, no longer necessarily dependent upon locations close to hydroelectric installations, which by their nature are, in most cases, remote from industrial markets. It is likely that this development will greatly influence and benefit the domestic aluminum production pattern of the future. We believe that it is a turning point for the industry.

JOSEPH F. RINGLAND

President, Northwestern National Bank of Minneapolis, Minn.

The year 1955 was an excellent one for business and banking. With an increase in business beyond expectations, bank loans rose at a vary rapid rate. The increased demand for loans, coupled with an appropriate policy of restraint exercised by the Federal Reserve System resulted in a tight money situation. Higher interest rates followed. A combination of more loans at higher interest returns produced good earnings for the banks in 1955.


J. F. Ringland

The outlook for banking in 1956 depends upon the outlook for business generally. With business moving upward at the beginning of the year, it seems that there will be less than normal liquidation of loans in the early months of the year. Inventory accumulations by business should continue but at a much slower rate. Consumer spending and borrowing should increase but not as rapidly as in 1955. New homes will be built but at a somewhat lower rate. Commercial building, public construction and business outlay for plant and equipment will continue high or higher. These are but a few of the factors that lead me to believe that bank loans will hold up well in 1956 and probably average higher for the year than in 1955.

Interest rates on bank loans are the highest in over 20 years. They should hold their present level until the demand for money lessens. While there may be some easing of the tight money policy of the Federal Reserve if business reaches a plateau or recedes, there appears to be no reason to expect an early decline in bank rates. Continued high loans at what may be higher rates on the average than obtained during 1955 should mean good earnings for the banks.

The most important cloud on the economic horizon appears to be the farm situation—a matter of special concern to Minneapolis and its surrounding territory. Business in this part of the country seemed to move upward less in 1955 than that of the country as a whole, caused at least in part by a decline in farm prices. Despite this decline, high production resulted in cash receipts of farmers in the Ninth Federal Reserve District almost as high in 1955 as in 1954. A continued decline in farm prices, especially if there are smaller crops, could have a depressing influence in this area upon an otherwise favorable outlook.

All in all, it is my opinion that the year 1956 will be a good one for business and banking for the country as a whole with the upward trend more marked in the first half of the year. In the Ninth Federal Reserve District, we should enjoy similarly good business tempered by the measure of prosperity of the farmer.

THOMAS ROBINS, Jr.

President, Hewitt-Robins Incorporated

I believe business in general next year will equal and perhaps surpass the record levels established in 1955.

As for the non-tire segment of the rubber industry, which is the principal industry of which Hewitt-Robins is a part, I look for sales of about $2.2 billion, a gain of about 5% over 1955. This is about 53% of the industry's total sales.


Thomas Robins, Jr.

Sales of non-tire rubber products have grown faster than tire sales in recent years and this trend is likely to continue as a result of the development of new products and the steady rise in consumption of such standard items as conveyor belting, foam rubber, rubber floor tile, industrial hose and rubber footwear.

An estimated 560,000 tons of rubber will be used in non-tire rubber products in 1956, about 38% of the total rubber expected to be consumed in the United States. Non-tire products as a group require less raw rubber per dollar's worth of finished goods manufactured because most of these products contain a higher proportion of textiles and other materials than do tires.

One of the chief problems of the rubber industry in 1955 was the shortage of natural rubber latex and a consequent doubling of its cost. Because of the many economic and political factors involved, it is difficult to predict how much improvement in this problem we may expect this year but I do feel that the worst is behind us.

CLINTON F. ROBINSON

President, The Carborundum Company

Demand for products of the Carborundum Company (Abrasives and Allied Products) originates predominantly in the durable goods industries. Our forecast for duable goods production in 1956 indicates only very modest increases over the year 1955.


Gen. C. F. Robinson

Nondurable goods production is expected to run higher as is the Gross National Product. Total industrial production should closely approximate 142 of the 1947-49 average. Based on these expectations, the major portion of our business, on a physical volume basis, is quite apt to be about the same as it was in 1955. Some of our newer products with growth probabilities are apt to do better. Export and subsidiary sales should show little change.

Prices for many of our products increased late in 1955 and cost pressures appear to be continuing. If recent price increases are fully effective, sales in 1956 should show some modest gains over 1955.

Historically, our business has had some lead on durable goods production, however, this lead factor was not very evident during the course of 1955. Some lack of forward buying may be attributable to the manner in which the increasing trend of durable goods production developed over the year—its buoyancy and continuity running quite substantially above general expectations making the pattern of progress somewhat unusual.

To compound these complexities, knowledge of increasing prices may have stimulated demand over the last few months of the year. This adds the possibility that inventories in the hands of customers might be sufficiently adequate to make buying in 1956 quite sensitive to production changes, particularly in some of the more doubtful sectors of durable goods, such as automobiles. It would follow that such a view has injected into our thinking an element of warranted conservatism. On the other hand, substantial capital spending together with retooling programs of industry will undoubtedly bolster activity in other important durable goods segments which could have the effect of offsetting most of the adverse possibilities.

For the economy as a whole, we expect that the present trend will continue modestly upward over most of 1956, with the year exceeding that of 1955. Against such a pattern we expect our sales and our industry sales generally to closely approximate those in 1955. Our basic planning strategy encompasses the capacity to cope effectively with a modest decline in our industry's business, or on the other hand, to be in a flexible position to capitalize on a modest increase should it develop.

Organized company plans for further development in the areas of plant, manpower, product and technical research are going forward and it is entirely within the realm of probability that this year may prove to be the best year in the history of the Carborundum Company thus far.

GEORGE ROMNEY

President, American Motors Corporation

Nineteen fifty-six should be another good year for the automobile industry, probably somewhat under 1955, but nevertheless one of the two or three best years in history. My forecast is based upon the prevailing public confidence in the business outlook, as indicated by heavy spending for almost all types of consumer goods, and upon present plans of business and industry for sizable increases in their capital investment programs in 1956 to expand present productive capacity.


George Romney

Two clouds upon the business horizon are the decline of farm income to a lower relative level and the tighter Federal Reserve credit policy. The latter will be healthy for the economy as a whole if it acts as a brake on an accelerating wage-price spiral, excessive consumer credit, and an eventual boom-bust that could do far more injury to the national economy than moderate restraints now.

It is my belief that approximately 6,800,000 cars will be produced in 1956, compared with close to 8,000,000 in 1955. Sales probably will be in the area of 6,650,000 passenger cars against 7,300,000 in 1955, he said.

The following are some of the reasons why production and sales are likely to decline in 1956:

(1) The pressure for sales in 1955 resulted in some "reaching forward" into the 1956 market.

(2) Most manufacturers will make major model changes in 1956 and the shutdown period for model changeover will be longer.

(3) Except for the really new 1956 cars, some new car customers may defer buying until 1957 models are introduced.

(4) Tighter credit policies.

Even though the automobile industry declines moderately in 1956, American Motors should gain. We expect sales of our new Rambler line to move up into the 150,000 area, or about double the 1955 total, based upon the fact that the 1956 Rambler models are the most completely new cars introduced by any manufacturer, and upon the changing automobile market. Motorists now place new emphasis on personal mobility, economy, maneuverability in heavy traffic, parking ease and moderate initial cost, particularly in the case of multiple car families. The Rambler is the only American car specifically designed to meet these requirements.

H. D. RUHM, Jr.

President, Burlington Industries, Inc.

Generally speaking 1955 was a relatively good year for the textile industry compared with 1954. But 1954 was the worst year in the past decade. Therefore, the industry as a whole still has a long way to go before returning to the kind of business it enjoyed in the late forties.


Herman D. Ruhm, Jr.

The better managed textile companies enjoyed relatively full operations throughout 1955. And improved conditions enabled the industry to raise production wages on an average of about five cents per hour.

From the standpoint of sales, the outlook for 1956 would appear to be generally good. Inventories are fairly low and sales volumes have been rising moderately.

A major threat confronts the industry, however, in the form of the Japanese tariff situation. The lowering of tariffs on Japanese imports in the fall of '55 opened a flood gate of imports of low wage products of the Japanese mills. Some specialized segments of the American textile industry have already been adversely affected by this situation. For the moment, the Japanese have voluntarily curtailed their rapid trade expansion in the United States, but no one knows how dependable this curtailment will be or how long it will last. Thus, broadly speaking the Japanese imports have not been a serious matter yet, but the potential threat is there. And unless this threat is curbed, our American textile industry could be seriously impaired in the next few years with many plants idled and thousands of employees put out of work.

In all segments of the business margins continue very close, so that only the very best companies are making satisfactory profits. Likewise, low return on investment has provided little or no inducement for companies to expand or build new plants.

On the other side of the ledger are these optimistic considerations that can and do indicate an improved long-range future outlook for textiles:

(1) The population of the country is increasing at a steady rate that directly affects the textile industry, since all additions to the population are textile consumers. Likewise, the country's economy is evidencing a dynamic growth.

(2) Wider markets for textile products are resulting from new contributions of the chemical industry. The older fibers are being strengthened and improved through dyes and finishes which increase the variety

and versatility of fabrics, while new man-made fibers are continually being introduced.

(3) Some of the marginal producers within the industry are being eliminated through intensive competition, through mergers and consolidations. This is lending an improved tone to the entire industry.

(4) Because of the poor return on investment in the industry in recent years, new plant construction has been held to a minimum. There is actually 8% less textile machinery in place today than there was at the beginning of World War II.

(5) Consumption of textile products has reached a level about equal to the industry's productive capacity. Prior to 1936, the textile industry operated only two shifts. Commencing in that year and climaxed by the war effort in 1942, the industry moved to a three-shift basis. This increased use of the productive plant made it possible to meet civilian and military needs at that time. Since then the industry has continued as a three-shift industry and recently has been operating at close to capacity without building up burdensome inventory.

Thus the growth of our economy has been rapidly catching up with the textile industry's capacity. This improved relationship between supply and demand is bound to result in better returns for the better managed companies in the years ahead.

Thus to sum up, we feel that the improvement in the textile business that has taken place in the past year shows promise of continuing and strengthening, provided the threat from Japanese imports is somehow curbed.

JOHN A. SCHOONOVER

President, The Idaho First Nat'l Bank, Boise, Idaho

The 1956 outlook for business seems to be good, if viewed from a national standpoint; but it must be said that our Idaho business, being dependent to a large degree on agriculture, is not likely to be oustanding, nor was it in 1955. One of our young bankers has summarized the situation quite well in the following few words, which are quoted:

John A. Schoonover

"The Government's farm subsidy program hasn't been as effective as we would like. They reduce acreages on certain crops, which forces larger acreages of other crops, with resulting lower prices. We feel we have a controlled economy; and to make it successful, more attention will have to be given to the farmer."

The solution of the farm problem is not an easy one, and in our opinion must include a combination of soil bank-acreage reduction procedure, price supports, and intelligent promotion of farm products. To say that agriculture must go on its own is to ignore several basic facts. First and foremost, the things that a farmer buys are largely protected by tariffs which cause the prices of those items to be greater than the farmer would have to pay for them could he buy on an unprotected market. The same is true of the labor he must hire to do his work—it is protected by our immigration laws.

Secondly, no market seems to exist in export trade for surpluses of most basic crops, and forcing such crops out of the country through a two-price system seems to be offensive internationally.

The answer, then, is to reserve the fertility of our acres for future generations — whose numbers, incidentally, are expected to be considerably larger a few decades hence; and to ask our Department of Agriculture to induce our farms and livestock men to produce only sufficient for our own needs, plus a prudent reserve, and to see that they are paid "parity" for such products. "Parity," incidentally, is in itself a sliding factor as determined by law.

We do not want to build large surpluses of commodities in government bins, but we should protect the farmer's production by price adjustment until a fair plan of soil-fertility bank can be adopted and made workable. We should remember in this connection that a farmer's production is not always quickly adjusted, due to weather, crop rotation necessities, and other natural factors of the business.

We see no sin in all of this. Tariffs and immigration laws protect the American standard of living. We shouldn't ask the farmer to sell in a world market and buy in a protected market. After all, equality for the farmer in the form of price adjustment is not wasted. Prosperous farmers are the best safeguard of American character. Farmers are among the best customers of American industry.

The situation presently existing in the country bears a remarkable resemblance to the conditions of the '20s, which started with farm depression while industry, labor, and business seemed to be doing well. It is sincerely hoped that the Administration will find the courage necessary to correct inequities along this line before they become acute.

As to our opinion concerning the banking situation in 1956, we expect that it will be another year of satisfactory profits, principally because of the high ratio of loans. Since we are no longer on a gold standard and of necessity have accepted a managed money economy, we must expect that every reasonable effort will be made by the monetary authorities to see that our money and credit are used for the general good. In the booms we should expect a policy of monetary restraint, and when business is not so brisk we look for a policy of relatively easier money. Since most economic students have felt that the economy has ridden the top of the wave for some time and are expecting business to level off, it should be expected that there should also be a reduction in the demand for credit and consequently a lowering of money rates. This we expect to occur sometime during 1956.

NORMAN SCHWARTZ

President, D W G Cigar Corporation

I am pleased that I can confidently repeat the statement I made in these columns precisely one year ago: "The future of the cigar industry looks bright. Nineteen fifty-five has been a banner year for the cigar business in many respects, most notably in the greatest sales volume recorded in our industry since the thirties, and generally higher earnings on the part of the major producers. There is every reason to believe that this favorable picture will continue during 1956 and, for that matter, on a long-term basis.

Norman Schwartz

The important progress on the technological and marketing fronts which motivated the excellent industry performance during the year just passed will surely become more evident in 1956. These technological gains give promise for increased gross profit margins. In the field of distribution, greater expenditures for advertising and promotion are putting the major manufacturers in a position to compete more effectively for the consumer dollar. This greater marketing effort will surely result in greater cigar consumption during the years to come, a trend which will be aided by merchandising emphasis on and consumer acceptance of multiple packages. In passing it seems also worthwhile noting that the little cigar or "Cigarillo" continues to register important sales gains, and therefore, also represents a positive factor for future growth.

Above all, the fact that higher cigar sales trace not merely to increased smoking on the part of confirmed cigar customers but also to the acquisition of new and young cigar smokers is a most encouraging omen for the entire industry. With the continued strong effort of the Cigar Institute of America, this trend is expected to continue.

The financial problem of carrying huge tobacco inventories, so it may be aged for mildness and sweetness, is one which the industry still contends with. In cooperation with the leading banks and financial institutions in the country, this problem has been expertly studied and largely solved.

I look forward to continued growth of the D W G Cigar Corporation in 1956, and in the years to come, regardless of the fluctuations in the general economy. Among the reasons for this belief is that in a comparatively stable industry D W G has succeeded in attracting young executives of proven capabilities who have brought added vitality and valuable experience from other fields to the company's experienced management.

The cigar industry seems eminently well equipped today—with its modern research and develpoment both in fields of production and marketing—to provide the consumer with a product he wants and can afford to buy. And, more importantly, there is every indication that the product can be supplied in the future at a somewhat better profit to the investor in cigar industry stocks.

FRANCIS P. SEARS

Chairman of the Board, The Columbian National Life Insurance Company, Boston, Mass.

I feel very confident that we shall have good results in 1956 for our business of life insurance.

Evidently this country is becoming financially a Middle Class society. Hardly anybody can become rich unless he luckily discovers oil or uranium, and most families which were rich lose much of their wealth through confiscatory taxation on incomes and estates.

Francis P. Sears

On the other hand, with current wages, nobody who can work is really poor, and the government takes pretty good care of the disabled and aged.

So, we have this great and increasing Middle Class of people with good incomes and with all kinds of luxuries which almost nobody had formerly.

This class buys its luxuries largely on borrowed money, but does try to protect its dependents in some measure through life insurance. Sales of regular life insurance increased in 1955 by 20% over 1954, and the size of policies in many companies increased by similar percentage, but the people who spend their entire incomes are not usually at all well enough insured. It is the duty of us in the business to convince them of this, to emphasize the pitiable conditions of those families which have lost their breadwinner and to convince him that he must put more of his income into life insurance; he so put only 3.30% of his year's income in 1954; he should certainly double this percentage.

Now let me point out why I think he can do so in 1956.

Most everything points to a profitable year, headed by the steel industry followed by the automobile, building, oil, paper, aluminum, electrical appliances, chemical, railroad, bank and public utilities industries.

Perhaps sales of automobiles will be about 10% less in 1956 than in 1955 but that would simply mean that most people have now comparatively new cars and may devote more of their cash to greatly reducing in 1956 the loans they incurred for their 1955 purchases.

With residential building it is a mighty good thing and a sign of prosperity that the authorities have tightened up a little on the cash and time requirements of FHA and VA loans. Certainly it is not unreasonable to ask a house buyer to pay 5% or even 10% of the purchase price in cash and to pay off the loan balance at about 5% per annum for 20 years.

I wrote last year of the plight of the stockholders of the great Pennsylvania and New York Central Railroads. I am glad to note that the ICC has treated them well this year and that with the addition of new management and the boom in the steel industry both of these great and essential companies are now earning good money.

We hear a tremendous lot of concern about the farmers, but they are much better off than they ever were before World War II. They were urged to produce vast amounts of wheat and meat during the war with government support at most extravagant prices, and they now insist on overproducing wheat and hogs ever since and are also insisting that all the people of the country be taxed to provide enormous government loans on utterly unneeded crops.

J. P. SEIBERLING

President, Seiberling Rubber Company

The year 1955 was a record period for the rubber industry and the current year promises to be nearly as good, with sales almost equal to those of last year.

Incomplete figures show that around 111 million tires were sold by the industry in 1955. Indications are that some 100 million units will be sold during the current year.

J. P. Seiberling

Automobile manufacturers are looking forward to another comparatively good year for their industry, so the market for original equipment tires should continue to be favorable, particularly in passenger car tires.

If present trends continue, sales of passenger car tires in the original equipment market will probably total about 36 million units as compared to the 42 million tires sold in this market during 1955.

Because Seiberling Rubber Company depends primarily on the sales of replacement tires for passenger cars, trucks and buses for a large portion of its income, we are primarily concerned with the outlook for this market. Here I believe the industry will sell about 59.5 million units, or approximately a million more than were sold in 1955.

The biggest increase in replacement tire sales over last year should come in the passenger tire market, because of the great number of passenger cars that were sold during 1954 and 1955.

Replacement tire sales for passenger cars should come to about 51 million units for the year, approximately a million more than were sold by the industry during the previous year.

However, I believe that replacement sales for trucks and buses will remain at about the same level as they were in 1955, about 8.5 million units.

When viewing the prospects for replacement tire sales over the next several years, a paradox seems to exist; today's tires give more mileage than ever before and should need replacing less often, yet all indications point to a continued rise in replacement tire sales.

This situation exists because the total mileage being driven on our highways each day is increasing at a rapid pace. It is estimated that the drivers of the 61 million motor vehicles in the United States log nearly 1.5 billion miles on our highways every day.

It is apparent that every though today's tires give greater mileage service, they are being consumed more rapidly than older tires that gave considerably less service.

From this, we can conclude that more replacement tires are going to be needed, and more often.

Looking at prospects for the export market, I think the industry can look forward to increased activity in 1956 because many of the free nations are improving and stabilizing their economies.

These improvements show up in many forms. For example, motor vehicle registrations throughout the world are increasing from 10 to 20% each year.

New construction projects such as highways, airports and dams are being started regularly. All these projects utilize motor vehicles and create a demand for more tires.

Unless the cost of materials or of wages goes up materially, we can expect prices of tires and tubes to remain stable in 1956.

All in all, prospects for the rubber industry during the current year continue to be encouraging, and Seiberling Rubber Company expects to share fully in gains made by the industry.

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FRANK A. SEWELL

Chairman, The Liberty National Bank & Trust Co., Oklahoma City, Okla.

Business today, including banking, seems to be quite optimistic and confident of itself and its immediate future. Nineteen fifty-five was a wonderful year—a record breaker for most—and there are indications that at least the first half of 1956 might surpass anything yet seen in dollar volume. Indeed, 1956 could be America's best business year yet.


Frank A. Sewell

However, it is probably expecting too much to look for the tempo of business to continue through 1956 as it did through 1955. Sometime in 1956 we will need to hesitate both for breath and to make some necessary adjustments. Some segments of our business are out of step in the march of business progress. Agriculture is one of these. The farmer is an outsider looking on insofar as our tremendous growth in business and profits are concerned. He is harassed by lowering prices for the things he sells, and rising prices for the things he buys. The huge surplus of basic crops already on hand, and the adjustments confronting him as a result of this situation, make his prospects disquieting, to say the least. Then, too, here in the Southwest where we are largely supported by an agricultural economy, the farmer has experienced three years of drought and is entering 1956 with poor prospects for crops because of the prevailing drought now.

Two important soft spots are generally know to have developed in our business picture, home construction and automobile production. A great deal of the power that enabled business to boom in the recent past came from these two sources. We hear that there may be 15% fewer cars built, and some 10% fewer homes constructed in 1956. This would still be a lot of cars when compared with any year before 1955, and a lot of homes when compared with any year a short time ago.

Bank loans are large, and there is presently a tightening of credit which may or may not be eased shortly. Consumer credit is high, meaning that a great deal of future income (about $34 billion) has already been spent.

The probable decline expected in business due to the somewhat discouraging prediction for agriculture in 1956 and the slow-down in home construction and the automobile industry will probably be offset by greatly increased expenditure by business for plant and equipment, Federal spending (this is an election year), and increased municipal spending.

A great factor affecting the outlook for 1956, and one that will materially aid and sustain business progress, is the outright confidence that our people have in our situation, our American way of life, our government, and in themselves.

There will be problems, of course, in the business and fiancial field, but 1956 looks like a mighty fine year for business.

NATE S. SHAPERO

President, Cunningham Drug Stores, Incorporated

The outlook for 1956 in the retail drug chain field is primarily the same as the outlook for other business for the year. Those factors which affect the purchasing power of the consumer affect the drug store. In our own company, our forecast of sales volume and net income for 1956 are based on both the national outlook and the economic weather of the areas in which we operate.


Nate S. Shapero

Since our stores are located for the most part in the Detroit and Cleveland areas, we are vitally affected by the automobile industry. We are quite optimistic about the prospects of automobile sales for 1956. Even the most pessimistic forecasts by the leaders of that industry predict that it will be second best year in its history.

We as retailers are particularly interested in the home building program. The occupants represent new customers, at least in that area. The continuation in 1956 of the residential building program at the pace of 1955 is not assured. The availability of mortgage money will be a factor. Both Federal and private authorities in the field have estimated that home building starts during 1956 will be about 10% behind 1955. However, it is felt that this decrease in home construction activity will be partially offset by an increase in industrial and commercial building. Recent surveys indicate that outlays in this field during 1956 will exceed those of 1955 by as much as 10%. I feel that construction, both residential and commercial, should continue to be an important bulwark of our economy in 1956.

Since money and credit are such a vital part of our economic life, I feel that the availability and regulation of money and credit will have an important effect on the 1956 sales picture. Mortgage money and instalment credit may be the key to the briskness of business in 1956.

I have noted, too, from available reports that inventories in relation to sales volume are currently comparatively low, both in retailing and manufacturing. An effort to bring them into balance will in itself, I believe, be a business stimulant.

Since 1956 is an important election year, it is likely that every effort will be made by the Administration to keep business activity at a high rate.

There are certain trends in marketing which will continue to affect the retailer. The trend in the abandonment of Fair Trade will no doubt continue. This coupled with the growth of "discount houses" is changing the conventional retail pattern. The benefit to consumers through lower prices should stimulate sales. The retailers' loss in profit margins will be compensated partly by increased volume and also by necessity a streamlining of his operations. The retail drug chains will continue to improve their operating efficiency in 1956 through the expansion into shopping centers with large volume units. The large volume stores are part of the answer to shrinking markups.

I conclude with a feeling that 1956 will be a good year for the retail trade as a whole, and particularly for the chain drug industry. However, it is going to be a year of lively competition and we will have to fight hard to hold our net profits at the 1955 level.

JOHN H. SIECKMANN

Chairman, Mercantile Trust & Savings Bank, Quincy, Ill.


J. H. Sieckmann

Most retail sales will at least equal 1954 in volume. Some few will shade lower. Profitwise, most will show a slight decline which doubtless reflects the disturbed farm situation in this corn belt territory. An offsetting counterbalancing factor is the prevailing high employment level in this territory which has kept bank deposits on an ascending curve, showing satisfactory gains for the year. Important industry concerns here report a satisfactory backlog of orders that will insure high employment throughout 1956.

L. D. SILBERSTEIN

President and Chairman, Penn-Texas Corporation

World-wide demand for consumer goods, coupled with shortages of raw materials, has forced a new wave of capital goods expansion. Since business activity is most sensitive to capital goods industries, this underwrites a new business boom. This expansion comes at a juncture when important technological advances have extended the "lead time" between the production of capital goods and the subsequent distribution of consumer goods. This time lag in turn has greatly extended the business cycle, with far-reaching and beneficial results to our economy.


L. D. Silberstein

Present capital goods commitments represent huge investments by industry. An important side result is an increase in the shortage of raw materials occasioned by the very expansion itself.

It is evident that the capital goods now scheduled cannot produce additional consumer goods until 1958, or in some cases until 1962. Consequently there should be little or no inventory accumulation during the next five years.

Steel, aluminum, transportation, aircraft and the atomic industry are now on a forced investment basis. This is resulting in a demand for a huge amount of machine tools, electronic devices, aircraft components and heavy materials-handling machinery. Penn-Texas Corporation is already beginning to feel its effect upon its subsidiaries in these four fields.

FORREST M. SMITH

President, National Bank of Commerce of San Antonio, Texas

From all indications, it appears that 1956 will be another very prosperous year. With the national income at an all-time high, government spending, industrial expansion and other favorable factors, we can see no big slow-down on the general horizon. However, during the year several soft spots may develop and there has already been a slackening in residential construction and in automobile purchases compared to the recent past. Another deterrent item in the economic horizon is farm and ranch prices, which continue in the opposite direction from most other parts of the economy. The danger of inflation continues with us and, no doubt, Washington authorities will be called upon to exert their pressures in various ways to maintain an evenly balanced economy. Probably profits for corporations will be less, in view of added costs of labor. The outcome of the Presidential election will no doubt influence business in this year, as politics has always had a bearing on our economy.


Forrest M. Smith

Down in our section of the state, business continues at a good pace. Industrial development continues in and near San Antonio, and especially around the Gulf Coast. The Lower Rio Grande Valley is experiencing excellent business conditions, while suffering somewhat from depressed farm and ranch prices. Already voted bond issues in the San Antonio area will insure some business expansion.

All in all, we cannot help but feel optimistic about business conditions in general during the year 1956.

H. H. SIMMS

President, Atlanta & Saint Andrews Bay Railway Co.


H. H. Simms

The economy of the country appears to be in such a healthy condition that I can only see continued good business for the next six months at least. The construction of many new units by the chemical industry, pulp and paper industry and others indicates to me that no thought of a business recession is in the offing.

As far as our own company is concerned, the year 1955 was better than the year 1954 which, in turn, was the best year in our history. We anticipate an even better result in 1956.

MODIE J. SPIEGEL

Chairman, Spiegel, Inc.

When everyone is optimistic, it is wise to look for the unknown, which might upset the applecart. I believe that the vast majority of industries, and the firms within these industries are optimistic about the outlook for business in 1956, and certainly the factors that are known point to a continuation of the favorable economic climate.


M. J. Spiegel

From a company standpoint, therefore, positive action must be based on a proper evaluation of the economic scene—not on fear of the unknown or a worry that things are going too well to last.

Despite the fact that automobile production is expected to show a modest decrease compared with 1955, the forecast of the Gross National Product and disposable income indicates that the first six months of 1956 should show consumer spending up to 5% more than a year ago, for the type of general merchandise sold by the mail order industry. While consumer debt is at a high level, we do not believe that consumer credit has been over-extended when measured in terms of percentage of disposable income and evaluated on the basis of the present high repayment scale.

The standard of living is still rising, with peak employment creating demand for more and more of the better things of life. The mail order industry has continued to keep pace with the economy in its methods of distribution, and the quality and styling of its merchandise. Because of forward planning, goods have been acquired at levels that insure a price level for spring only 2 to 3% over last year. Since wages in general are up by a larger percentage, there should be little customer resistance to catalog prices.

These factors would indicate that the mail order industry can look for its fair share of the improved sales that aggressive selling should produce during 1956.

STANLEY M. SORENSON

President, Hammond Organ Company

This should be a record-breaking year for the Hammond Organ Company.

Based on current orders from almost 500 franchised dealers' stores throughout the United States and Canada, indications are that sales and earnings at the March 31 year-end will be the highest in the 28-year history of the company.


S. M. Sorenson

Because the demand for Hammond organs has far exceeded estimates, resulting in a substantial order backlog, we now are producing at an all-time record level. Our projections for fiscal 1956-57 are such that we expect to continue to produce at the present rate or better.

What are the reasons behind the continued heavy demand for Hammond organs? There are many answers to this question. Home owners have found that the Hammond organ is a flexible, easy-to-play, extremely serviceable instrument that adapts itself well to any family situation or mood. Our aggressive merchandising program has created and developed this awareness and understanding in the home owner. Overall excellence of product is a motivating factor in the company's expanding sales.

More than 90% of Hammond's sales are to private homes and churches, with the bulk of these sales to private homes. With the development of the Hammond Chord Organ, the home owner has discovered that he can sit down and pick out a simple melody in a half hour or less. Because no formal instruction is required to play the Hammond Chord Organ, this fact has intensified demand for it and stimulated interest in other models as well.

Our merchandising program is backed by outstanding music dealers in cities from coast to coast. In order to insure widespread distribution, the company has appointed additional dealers in areas where the regular dealer cannot represent us adequately. By such expansions in our dealer organizations, an ever-increasing segment of the buying public is being more readily and regularly exposed to Hammond organs now than at any other time in the company's history.

The test of time generally determines the excellence of a company's product. We have manufactured organs since 1935 and the company has never found it necessary to alter the basic design of its original model. Over the years we have made improvements and developed many exclusive features which have added to the versatility of the five models that we now manufacture and, in so doing, have broadened their consumer appeal.

These are the fundamental reasons why sales have increased and why we currently expect to establish a year-end record March 31, continuing the pattern of operating profitably each year since the introduction of the Hammond organ.

Earnings for the six months, ended Sept. 30, 1955, reached a new high of $2.27, an increase of 43% over the $1.58 earned during the same period the previous year.

The dividend paid last December 10 was our 59th consecutive quarterly payment. During the calendar year of 1955 we paid $2.70 in dividends as against $2.40 in 1954.

On December 10, we also distributed an additional share of stock for each share then held. We have not announced a dividend rate on the basis of the increased shares, but directors of the company will meet within a short time to consider such action.

Barring any unforseen economic setback, we consider the outlook for the Hammond Organ Company, its shareholders and employees to be most favorable.

JOHN STEVENS, Jr.

President, Marathon Corporation

With per annual capita consumption of paper and paperboard products at an all-time high of 415 pounds, it is my opinion that new uses, plus a high level of activity in other industries, almost certainly will require increased production from the pulp and paper industry during 1956.

John Stevens, Jr.

Marathon Corporation experienced a 1955 net sales increase of 14.9% over the preceding year and we feel confident that our 1956 sales volume will rise in keeping with gains we have made in recent years.

For one thing, customers who require our food and general packaging lines and consumers who use our retail products are steadily increasing. Modern methods of merchandising food products, with emphasis on self-service selling, have created a demand for more printed packaging with high sales appeal.

As evidence of Marathon's faith in our industry's future, we have embarked on a four-year program of planned capital expenditures calling for additional plants and equipment that will enable us to correspondingly increase our production and sales volume.

Barring a major economic decline, which I do not foresee, it is my opinion that new peaks will be attained by the paper and paperboard industry as a whole during 1956. While I feel that business will level off to some extent and that increased capacities will contribute to a keenly competitive price situation, I anticipate that the upswing in production and sales volume will result in satisfactory earnings.

C. B. STEPHENSON

President, The First National Bank of Portland, Ore.

The banks in Oregon have in recent years experienced sharp expansions in all departments. Deposits held by Oregon banks jumped 8% in the past year compared to a 4% increase nationwide. Also, instalment loans, real estate loans and commercial loans have climbed rapidly. Banking activity has expanded more than normally might have been expected but, of course, Oregon is a fast-growing state. The growth of population in Oregon has been at the rate of 2% per year which is faster than the national trends. But banking activity in this area has exceeded the population trends.

C. B. Stephenson

I look for the volume of banking activity to be about the same in 1956 as it was in 1955 and it is possible that 1956 may even average below 1955. If banks this year are able to hold to the present high levels of activity, 1956 would be a very good year. These forecasted trends of banking obviously are contingent upon activities in other fields.

Oregon's rate of expansion of industry and population has been quite rapid because of several favorable factors. Diversified industries in nearly every field have had sharp growth and our major industry, the forest products industry, has had significant growth. In recent years Oregon has been turning out an increasing share of the nation's wood products. However, future trends of forest products industries in this area are expected to be influenced by general business conditions prevailing in other parts of the nation. Oregon's welfare is directly tied to construction activity and similarly national prosperity is to a lesser degree contingent upon construction activity. Oregon's dependence upon the volume of construction is better understood when it is realized that over one-half of Oregon's manufacturing payroll is paid by operators of sawmills, plywood and millwork plants. These plants turn out about one-half the nation's softwood, plywood and one-fourth the nation's lumber. Those Oregon products are marketed widely throughout the nation, principally for use in the construction of homes and commercial buildings.

Recent developments may signify that construction of dwellings may decline from the abnormally lofty peaks reached in 1955. Although the 1956 volume of home construction may drop as much as 10%, the construction of factories, schools and highways is expected to exceed last year. Inasmuch as home builders throughout the country are heavy consumers of Oregon's wood products, it is conceivable that output and sales of wood products may decline 5 to 7% from Oregon's record 1955 volume of 9 billion boardfeet of lumber and 2½ billion square feet of plywood.

Prospects are bright for continued expansion of many Oregon industries, which may partially offset the expected curtailment of output of lumber, plywood and millwork. However, over-all business activity in this area probably will reflect a continuation of present volumes or perhaps some slight tapering off from the boom peak. If the velocity of business in Oregon and the nation does slacken moderately in 1956, it would have a corresponding impact on banking.

HENDERSON SUPPLEE, Jr.

President, The Atlantic Refining Company

With domestic demand for petroleum products in 1955 about 7% higher than in 1954, the United States oil industry produced, processed and sold the greatest volumes in its history. We expect that domestic demand will increase again in 1956, but at a more "normal" rate, perhaps about 3½% over 1955. This forecast is based on the expectation that general economic activity in 1956 will average a little higher than last year, but that the rate of increase will slow perceptibly and perhaps level off in the course of the year.

H. Supplee, Jr.

Supplies of oil products will be fully adequate to meet anticipated demands. We are confident, however, that capacities which can meet 1956 demands with something to spare will be far from adequate to meet demands in 1960. The long-term trend of demand is strongly upward, which means that expansion must be a continuing process. Consequently we cannot foresee the time when there will be any appreciable reduction in the industry's huge volume of capital expenditures. For example, capital spending by the oil industry in 1955 passed the $5 billion mark for the first time, but even this sum will almost certainly be exceeded in 1956 and subsequent years.

JACK I. STRAUS

President, R. H. Macy & Co., Inc.

The nation's department stores are in a period of sustained growth. The year 1955, as a whole, brought department stores 7% more business than 1954. This increase was fairly consistent throughout the year and, at the year-end, shows no sign of substantial abatement.

Jack I. Straus

I think that this growth is on a sound basis, and that we can look forward to a continuation of this trend, although at a somewhat reduced rate. The yardstick for retail trade would seem to be a direct reflection of the employment picture. As long as employment remains at a high level, retail business should continue to expand. Therefore, barring a drop in employment or some psychological change in the confidence of the public, we can continue to be optimistic in the retail outlook.

Disposable personal income was last reported at an annual rate of $272 billion, which is one-third higher than the rate of five years ago. Population is growing nationwide at a rate of 1¾% a year, and in those urban and suburban areas where department stores have their greatest impact, the population is increasing at a somewhat greater rate. Industrial production has been setting new records, and is now at a level 12% higher than a year ago.

To my mind, the most important indicator for retailers is the apparent willingness of consumers to spend a major share of their income. This reflects a widespread confidence in the future, since the consumer is usually quite sensitive to his own future potential. Over-all personal consumption expenditures have been holding at a level equal to about 65% of the total Gross National Product, which itself has been increasing steadily.

Translating these factors into the future, I think we can look ahead to continued gains in department store volume—a gain of 4 to 5% in the first half of 1956 would seem likely.

Department store operators have kept pace with the changing needs and characteristics of the consumers. We have noted a definite emphasis on goods for the home; apparel lines, while holding their own, have not moved ahead with hard goods. Careful analysis of consumer needs and quick response to their changes are the keynotes of the successful department store in these times.

There are, of course, elements of caution in the picture. Outstanding consumer credit has increased somewhat faster, in recent months, than has the level of retail sales, largely due to expanded credit on automobile sales. Whether this represents any "borrowing" from future demand for department store goods remains to be seen. Also, it is possible that automobile production—a tremendous stimulus to the 1955 economy—will not again achieve the seven and a half million units turned out in the past year. As a result, there may be a leveling off of consumer income and spending in the latter part of the year.

The price structure at the retail level has been very stable. Prices leveled off after the 1950-1951 upward spurt, and have varied by less than 3% since that time. Brisk competition at the retail level may continue to absorb potential price inflation to a limited degree. Prices may rise slightly after the new minimum wage law and the recent round of wage increases show their effects in the cost of manufacturing.

Generally, the 1956 outlook is promising. Certainly there are no grounds for pessimism, and we in R. H. Macy & Co., Inc., are setting our sales and profit goals somewhat higher than in any recent year.

H. M. TALIAFERRO

President, American Seating Company

First, perhaps, we should define our field. The public seating industry as classified by the Bureau of the Census, consists of manufacturers of specialized furniture for the mass seating markets. This includes schools, churches, public auditoriums, theaters, and other users of fixed or portable group seating. Of these, the educational and religious markets are the most important at present.

H. M. Taliaferro

A large proportion of the chairs, desks, chancel furniture, portable or folding chairs, etc., goes into new buildings. The trend in new construction, therefore, will fairly well determine the dimensions of the demand for furniture. We believe that the estimates published jointly by the Departments of Commerce and Labor for 1956 construction volume: plus 10% for educational building, plus 15% for religious, represent the top limit of the market. In other, relatively less important, segments of the market—public auditoriums, stadiums, industrial auditoriums, clubs, etc., the increases may be somewhat greater.

With a continuation of high levels of national income through next year, the rehabilitation or replacement market for furniture should continue at about the same proportion of the total as in 1955. A downturn of the economy in the first half would probably affect spending plans of buyers, thus indirectly affect rehabilitation. A downturn in the second half would occur too late to have a significant effect. We believe the downturn, if it occurs, will be delayed until the latter part of the year.

Although the number of firms producing seating for public passenger transportation vehicles is limited, their output is considered a part of the public seating industry. We anticipate a continuation of this year's level of vehicle manufacturing.

Taking into consideration the varied types of furniture and the several components of our over-all market, we expect total industry volume to increase in the range of 5%-10% in 1956 over 1955.

JOHN F. THOMPSON

Chairman, The International Nickel Co. of Canada, Ltd.

Free world nickel production in 1955 again set a record with output estimated at about 427,000,000 pounds, representing an increase of approximately 40,000,000 pounds over the previous high of 387,000,000 pounds in 1954, and 87,000,000 pounds over free world production in 1953.

Total output by producers in Canada is expected to reach 347,000,000 pounds for 1955, also constituting a new high. This production is some 24,000,000 pounds higher than in 1954, and represents about 81% of the free world production. Of the remaining free world production, Cuba accounted for approximately 7%; New Caledonia, 5%; Japan, 3%; United States, 2%, and various other countries, 2%.

International Nickel's output of the metal in 1955 from its own ores reflected capacity production for the sixth consecutive year. The company's deliveries of about 285,000,000 pounds of nickel in all forms will be the highest in its history, representing approximately 65% of the free world's supply.

Nickel Distribution

Total free world supply, including commercial production and government subsidized production, was distributed to the extent of approximately two-thirds to the United States and one-third to Canada, the United Kingdom and other portions of the free world. A substantial part of the distribution to the United States was used for its heavy defense production and stockpile requirements.

The increased tempo of industrial activity throughout

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Europe and North America increased the 1955 demand for nickel in every established field of interest. Slightly more nickel was available for civilian applications than during 1954. However, the limitations in the supply caused by large and augmented defense requirements and the needs of the United States Government's strategic stockpile continued to place a burden upon the expansion of civilian markets, thus retarding the future growth of the nickel consuming and producing industries.

In meeting the increased defense requirements during the year substantial assistance was provided in the United States through the action of the United States Government in diverting to industry approximately 24,000,000 pounds of scheduled stockpile purchases of nickel.

Nickel Prices

Throughout the year the basic prices for Canadian nickel to industrial consumers in all world markets remained unchanged at 64½ cents United States currency (including the 1¼ cents United States import duty) or the equivalent prices in Canadian and British currencies.

In addition to marketing its own production International Nickel, as an accommodation to the needs of users of nickel, arranged with Sherritt Gordon for continuation of production and delivery to industry in the United States and Europe of premium-price nickel provided earlier during the year to the United States stockpile. This arrangement will continue into 1956. Also in December, pursuant to the request of the United States Government, International Nickel arranged for the delivery to industry in the United States of a portion of the nickel destined for the stockpile under International Nickel's premium-price contract with the United States Government. In net effect these special quantities were provided to industry for the account of Sherritt Gordon and the United States Government respectively and at substantially the same premium prices as were applicable to the corresponding special production delivered to the stockpile during the year.

Applications

During 1955 civilian applications for nickel again were influenced by the heavy demand for the metal for atomic energy, military and stockpiling requirements.

The steel industries continued to constitute the largest markets for nickel.

The production of *chromium-nickel stainless steels* showed a further increase. An exceptionally high utilization of nickel-bearing scrap was helpful in this accomplishment. The nickel-containing stainless steels continued to be employed throughout industry because of their superior resistance to heat and corrosion, ease of fabrication and good appearance.

Similarly, the demand for nickel by the steel industries in the production of nickel-containing *engineering alloy steels* has improved. Established applications for these alloys, such as in automobiles, trucks, tractors, aircraft, military equipment, farm machinery, road building equipment, power generation machinery and railroad equipment, were responsible for the major portion of their consumption.

During the year International Nickel's nickel-chromium alloys maintained their position as standard materials in the construction of aircraft turbo-prop and jet engines. These include the *"Nimonics,"* developed in the United Kingdom by Mond and Henry Wiggin, and the *"Inconels,"* developed in the United States at the Huntington, W. Va., rolling mill. These alloys, because of their strength, resistance to heat and corrosion, and their ductility, are employed in various parts of modern jet engines, as well as in industrial gas turbines. The year 1955 marked the 50th anniversary of *"Monel"* nickel-copper alloys which were the forerunners of many nickel alloys now being produced by International Nickel and others. Known for their resistance to corrosion, good mechanical properties and pleasing appearance, applications for the "Monel" nickel-copper alloys are found in practically every industry throughout the world. *"Inconel"* nickel-chromium alloys continued to be employed in industry where high strength and resistance to corrosion or heat are required, and *"Incoloy"* iron-nickel-chromium alloys were again used where resistance to oxidation at moderately elevated temperatures is necessary. *"Ni-o-nel"* is a trade mark applied to a new high nickel-iron-chromium alloy which was introduced by International Nickel during the year. This new alloy is capable of resisting attack by certain corrosive conditions of unusual severity. The development of a new multi-purpose welding rod, bearing the trade mark *"Inco-Rod A,"* was also announced in 1955 This electrode was designed to fill a long-existing need for a rod capable of making strong ductile joints between a large number of metals of substantially different compositions.

Similarly, as in other industries, supplies of nickel available for the *nickel-plating* industries during 1955 continued to fall short of the demand. This condition was further aggravated by the sustaining trend in North America toward larger areas of bright metal on passenger cars together with the higher rate of automobile production. Among new developments in this field during the year was the production of nickel-plated heavy steel plate and sheet for fabrication into materials handling and processing equipment.

The copper-nickel-zinc alloys known as *nickel silvers* maintained their position as the superior base metal for silver-plated tableware. These alloys also have wide acceptance as preferred materials in the communications field.

The *cupro-nickel alloys* containing 10 to 30% nickel have proven themselves in heat exchanger applications in the power, marine and petroleum industries. Their combination of mechanical properties and resistance to corrosion has been a vital factor in establishing this group of alloys on a firm basis. The 30% nickel alloy has been adopted as the preferred material for oil coolers in automatic clutches by large segments of the automotive industry.

The output of *nickel-chromium alloy castings* in 1955 was about the same as in the previous year. The heat-resisting types find their principal application in industrial heat-treating furnaces; the petroleum and chemical industries are also important users. The corrosion-resisting types are used in the chemical, food processing and petroleum industries. In addition, increasing amounts of corrosion-resisting alloy castings are being employed by the Atomic Energy Commission.

The use of *"Ni-Hard"* abrasion-resisting nickel-chromium cast irons for mill liners and grinding balls in the mining and cement industries showed a gain over 1954. Modification of one type of "Ni-Hard" cast irons has led to the development of materials having the same abrasion-resistance with a considerable increase in toughness. This will permit application of heavy-sectioned "Ni-Hard" castings in some fields where they are subjected to severe impact conditions.

Production of "Ni-Resist" corrosion-resisting nickel cast irons showed some improvement in 1955. These alloys are employed in components of industrial equipment where resistance to corrosion, heat and wear is required. The trade mark "Ni-Resist" has also been applied to new nickel alloyed cast irons which are in a group of magnesium-treated, corrosion and heat resistant, high strength, austenitic cast irons. These new alloys have created considerable interest in the chemical processing and petroleum industries and among manufacturers of high-powered engines.

Consumption of *nickel as a catalyst* during 1955 by the chemical and allied industries again showed an increase. Quantities of *nickel compounds* used by the ceramics and electronics industries were also higher.

Nickel Outlook

Free world nickel production in 1956 is expected to continue to show an increase, with output estimated at 442,000,000 pounds, a gain of approximately 65% above pre-Korean War 1949 production. This higher output should result in more of the metal becoming available for industry in 1956 than in 1955.

J. K. THOMPSON

President, Union Bank of Commerce, Cleveland, Ohio

Nineteen Fifty-Five has been our top year in Gross National Product, in national income, in corporate profits and in dividend payments, in expenditures for new construction both commercial and industrial, and residential, in total number employed, in average hourly and weekly earnings, in production of both durable and non-durable goods, in total amount of bank deposits, in total amount of money borrowed from the banks for business loans and from the banks and other lenders for mortgage loans and consumer credit borrowings.


J. K. Thompson

The important question is, "Where do we go from here?" In this great American economy of ours and in typical American thinking, we want every business year to be better than the year before and we somehow feel that we are falling behind if we do not have a better net result than we had the year before. With a year like 1955, where new records were made all along the line, it is difficult to see too clearly that 1956 as a whole will be very much better than 1955. We are going into 1956 on a high plane of business activity. National security expenditures will probably be about the same in 1956 as in 1955. There was a slight build-up in business inventories in 1955, but not enough to detract from some further build-up in 1956. It is probable that production of steel, aluminum, copper and other important metals will be at practical capacity in 1956, which would be slightly higher than 1955. It is expected that business expenditures for new plant and equipment will be slightly higher than in 1955, as will expenditures for highways, school buildings and other public works and facilities. There will continue to be a high rate of residential construction in 1956, but below 1955. I think that sales of passenger automobiles in 1956 will also be somewhat below 1955, but still a fine year for automobile sales.

I believe that there will be approximately full employment in 1956, and that personal income will be higher than it has been in any other year, which should also apply to disposable income after taxes and personal savings. I believe there will be some reduction in the amount of consumer debt outstanding, due in part to reduction in amount of automobile paper outstanding caused by lower sales of automobiles, and substantial pay-downs. I think there will again be very little change in the consumer price index, which has shown very little change in the past three years, as a further slight reduction in the price of food products will probably offset slight increases in other items.

To summarize all of the above, I think that business in 1956 will be slightly better overall than in 1955.

With respect to banking: There was a substantial increase in 1955 in the demand for business loans, mortgage loans, and consumer credit loans. On the basis of the law of supply and demand, interest rates have been higher in 1955 than in 1954. The Federal Reserve authorities during the latter part of 1955 followed a policy of restraint in the money markets. There were several increases during the year in the banks' rediscount rate. The slight restraints effected by the Federal Reserve authorities have been well worthwhile. It is important to prevent an inflationary spiral that might lead to a future deflationary setback. I think banks and other lending agencies have done a good job of meeting all reasonable borrowing demands and that they will continue to do so in 1956. There will probably be some slight reduction in the amount of bank loans the early part of 1956, but there will undoubtedly continue to be a substantial demand for bank loans this year. I do not anticipate any further tightening of the money supply or increase in interest rates.

ARNULF UELAND

President, Midland National Bank of Minneapolis, Minn.

During 1955 the economy of the country attained the highest level in our history, which was hardly expected at the beginning of the year. Now it appears that we are at or near the peak of a boom and in spite of present economic momentum and some excessive optimism a leveling off or possibly some sort of adjustment seems likely. This is a good thing and there is no need to regard such an outlook with apprehension.


Arnulf Ueland

The record breaking totals of the past year resulted from good general conditions in almost all lines except prices in agriculture. However, contributing to the year's total volume there was in addition an overdose of stimulating forces that can handly be sustained indefinitely, and therefore should be recognized as probable negative influences for the near future. One of these forces was the marketing of about two million more new automobiles than the average of the preceding six years, at least some of the increase being at the expense of future markets. Another was under-financed housing construction, mostly government guaranteed, of something like 1.3 million new residential units, some of this also at the expense of future markets and normal standards of credit prudence. A third of these forces was a $6 billion increase in outstanding consumer credit which was partly made possible by relaxations of terms. Lowering the quality standards of credit is obviously a process which cannot go on indefinitely.

The unsatisfactory price situation in agriculture is another unfavorable factor. In spite of the largest farm production on record, 1955 was the fourth consecutive year in which farmers' net income declined. If farmers' incomes continue to decline they must eventually buy fewer goods and services, and there is no cure of this problem in sight for next year.

I have referred especially to the strains that threaten the very high level of our economy because the general disposition seems to be almost wholly optimistic. However, the broad underlying condition of the country is strong and dynamic. Our people and our institutions are strong, vigorous and resourceful; production is at the highest level in history, market demand is strong in most lines, technological advances are bringing new and improved products, and there is virtually full employment at high pay with greater consumer purchasing power than ever before. These conditions are a basis for a sustained prosperity.

With existing tight supply and high cost of money, it is to be hoped that the Washington authorities will be slow to take further restrictive action affecting the general availability of credit, and be quick to reverse present policies of restraint at the first sign of a decline.

The overall outlook warrants an attitude of confidence for the coming year, and also a recognition that, as always, there will be change and need for adjustment to new conditions and new problems.

CARL W. ULLMAN

President, The Dollar Savings and Trust Company, Youngstown, Ohio

During 1955, business activity was at the highest level in the history of our country. The expansion of debt by state and local governments, by business and by individuals was largely responsible for reaching our unparalleled prosperity. This fact undoubtedly motivated the Board of Governors of the Federal Reserve System to adopt progressively restrictive credit policies.


Carl W. Ullman

It is difficult to say just what effect these policies have had or to guess as to where the tempo of business might be if they had not been adopted because of the strong tide of confidence and optimism which has been running. There is no question that they have had some restraining influence.

We do have an expanding economy with an increasing population and a rising standard of living. Many factors would indicate that our high level of production will continue, but some competent economists see elements of weakness in our present position. Among other things, they are concerned with the farm problem and the heavy individual debt burden. Although the Federal Reserve System is attempting to maintain stable business conditions, it cannot do the job alone. It is up to our people. Only if the people practice thrift and exercise self-discipline in keeping their spending and debt within manageable proportions, can our economy remain sound.

It is generally anticipated that business can look forward to 1956 with confidence. There will be problems, of course, because no period is free from some business complexities. These can be minimized or solved if management will employ sound judgment in its approach to such situations.

HENRY VERDELIN

President, First Western Bank and Trust Company, San Francisco, Calif.

Economic weather-vanes indicate 1956 should be a year of continued prosperity, providing that the desirability of controlling inflationary tendencies is dominant in the minds of industry, business, labor and agriculture.

Henry Verdelin

Restraint on an expanding economy should be the subject of serious consideration, with such restrictions as may be necessary to control the expansion of credit and thereby prevent inflation and boom.

California's increasing population will warrant continued housing construction, with the possibility that a degree of saturation will occur during the year. Prices should remain at the present level.

Instalment credit financing indicates continuance at its present pace, with even a slight increase to be expected without raising the question of its advisability in a normal economy.

Reduction in automotive production has already been proposed, suggesting that there will be no need for any substantial increase in financing for automobiles.

Interest rates should continue as at present, since further increase in rates could be inadvisable.

Demand for loans to business and industry should be maintained.

Inventories should not increase to any great extent.

Plant expansion can be expected to provide improvements in production and product, and lower costs.

Retail trade should enjoy an excellent year because of the expendable income available.

CHARLES A. WARD

President, Brown & Bigelow

Businessmen everywhere are planning for a larger share of the bigger market ahead. In a favorable business climate, they face a year of greater productivity, increased population, public works programs, and not one, but hundreds of wonderful new products and services.

Charles A. Ward

This is the greatest opportunity in history for intelligent advertising. The stepped-up tempo of the bigger market will be marked by tougher competition. The wise advertiser will be prepared for the competition.

Our 1100 salesmen report that alert businessmen are planning now for 1957 by revising their 1956 advertising budgets upward. Brown & Bigelow sales since the opening of our new selling season have broken every record set in our 60-year history.

J. B. WARD

President, Addressograph-Multigraph Corporation

The U.S.A. is apparently headed for new high levels of business operation. We at Addressograph-Multigraph have every reason to concur in the universal feeling that the year ahead will be one of superlative achievement in the national community as a whole.

J. B. Ward

Our own operations have responded forcefully to the many steps for growth that have successfully been taken in recent years. Fiscal 1955 (July 31) recorded the corporation's greatest year in sales, earnings and dividends paid. Calendar year comparisons show 1955 U. S. and Canadian billings up 16% over 1954 . . . and worldwide billings up 17%.

To our way of thinking, the current economic climate is but a golden opportunity to plan and do the things that will insure operating at a profit under less favorable conditions. We have intensified market coverage through the establishment of more prime distribution outlets and the hiring and training of more new men in the field. Research and engineering activities have been stepped up to insure our future. And, to meet the rapidly increasing demand for Addressograph-Multigraph simplified business methods, we are at this very moment in the midst of a 44% expansion of our Cleveland home office and factory facilities.

Such a program bears witness to our faith in our business and in our country. We look forward to a world at peace . . . and another year of sound, steady progress and prosperity.

ROBERT A. WEAVER, Jr.

President, The Bettinger Corporation

A continued growth in sales and earnings is expected by the Bettinger Corporation, porcelain enamel products manufacturer. We estimate that sales in 1956 will show approximately a 20% increase from those of this year, possibly reaching a rate of $7,000,000 during the coming year for the corporation and its family of companies.

R. A. Weaver, Jr.

Increased uses of porcelain enamel in two major fields, architectural and industrial, will account for the higher sales figure. Many of the major projects which have been developed in the company's research program during past several years are now ready for market.

Among the products expected to boost the Bettinger's group sales is a new ceramic-on-steel wall tile, which is guaranteed against cracking, crazing or color fading for the life of the building in which it is installed. The new tile, named "Starfire," was developed to meet the growing need for an economical, high quality ceramic-surfaced tile, primarily for use in the mass home building field.

Architects are making extensive use of ceramic tiles throughout new homes. No longer is the tile confined to the bathroom and the kitchen. Now ceramic tile walls are found in family play rooms, corridors, children's rooms and foyers. This recognition of the versatilty of ceramic tile is an important step forward for both the ceramic tile and building industries.

Sales for 1955 should exceed $5,000,000 for the first time in the family of companies' history. This increase from the $3,750,000 reported for 1954, is due primarily to operations of Graham Bell, Limited, in Canada, which has just opened a new plant, and to increased activity and development in major new fields.

A corrugated roofing and siding material, resistant to corrosive attacks, sold under the trade name of V-Corr, is making substantial sales progress. Reaction at a recent chemical industries exposition is indicative of large-scale use in coming years.

Specific areas of development are such uses of the company's products as architectural curtain wall panels in large buildings and chalkboard in schools, and the use of ceramic industrial coatings and high temperature coatings.

The ten-year program of product and plant expansion and development which the company embarked upon in 1947 is being successfully conducted. Sales in 1947 amounted to $387,000. Since that time, the Bettinger family of companies has grown to a mature organization and is comprised of six separate plants and a number of foreign licensees.

W. J. WEBB

Vice-President, Outboard, Marine & Manufacturing Co. Division Manager, Evinrude Motors, Milwaukee

The National Motor Boat Show ended in New York last week. We, in the outboard industry, had approached the show with confidence. We've known for a long while that recreational boating has become the fastest growing sport in the country. But, frankly, we were amazed at the avalanche of orders which snowed down upon our dealers.

W. J. Webb

In New York, the boat show was a record-breaker. We're looking toward the same results next month in Chicago where the Chicago National Boat Show is the biggest of its kind —320,000 square feet of space devoted to boats, motors and marine equipment.

The growth of outboard boating within the past 10 years has been truly phenomenal. Better than 4½ million outboard motors are currently in use; the industry is turning out some half million units annually.

The reasons for this remarkable growth are many. They've been summed up by the social historian in many ways—an increase in national income; an increase in leisure time; the swing from spectator to participant sports; the desire to escape from crowded highways; and the need for a pastime in which the family can participate as a group.

In the outboard industry, it's necessary to project engineering, sales and marketing programs ahead by at least five years. This year, Evinrude planned a 20% increase in production capacity. Right now, it looks as though this increase won't be enough to permit us to meet the growing demand.

Present orders for motors are running about 30% ahead of this period, last year. Shipments are substantially ahead of expectations and dealer enthusiasm has reached a peak never before experienced.

We just recently embarked upon a five-year expansion program. This move was made after a careful evaluation of the boating market as it exists today and a projection, by all our departments, of what to expect in the future.

As part of our expansion program, we recently acquired ground in north Milwaukee for an additional plant. The new plant will cover 160,000 square feet and will be built at a cost of $1,700,000. As an entirely modern, functional building, the plant will be used for assembly and shipping operations.

From an industry point of view, the future has never been brighter. One need only attend a boat show in practically any major city in the country and see for himself the marked consumer interest in boats and boating.

The growth of boating has developed one ironic twist —the number of boats going afloat each year far exceed the facilities to take care of them. There's a crying need, throughout the country, for additional launching ramps, docks, marinas and small boat basins. This phase of the industry, alone, opens a wide new investment opportunity for private capital. Even the retailer finds himself in the position of needing to expand his operation to meet the growing market. Here again, private capital can find an opportunity seldom equaled through investment in established retail operations seeking funds for expansion.

Without a doubt, recreational boating has become the country's fastest-growing sport. As such, it has also meant that the outboard boating industry is one of the country's fastest-growing industries. The present is brilliant— and there's no limit on what to expect for the future.

SIDNEY WEIL

President, American Safety Razor Corporation

An analysis of the 1955 business year and an attempt to view the coming year presents an optimistic picture.

More razors and blades will be sold in 1956 than ever before and I believe the American Safety Razor Corporation will enjoy a larger share of this market.

Sidney Weil

ASR has completed the enormous job of relocation, a period which involved suspension of production for about six months. The new $5,000,000 ASR factory at Staunton, Va., now is in full production with over 1,000 employees and we look to 1956 with considerable optimism.

Along with several other business firms, we are embarking upon a program of diversification and expansion, including acquisition of new product lines. We recently completed exclusive distribution arrangements whereby American Safety Razor will sell and install carpet, textile and other looms in the United States and Canada. These loms are made by Van De Wiele of Belgium, largest European manufacturer of carpet, tapestry and jute looms.

With the ASR relocation program completed, and this program of expansion and diversification, as represented in the agreement with Van De Wiele and the opening of three new divisions, the company can expect to have one of the most active years in its 75-year history.

The Staunton people have turned out to be magnificent employees and with comparatively little industrial experience, they have stepped into many and varied jobs at the new plant and proved that they are the equals of workers anywhere.

ASR manufactures all three types of the popular razor blades—single edge, double edge and injector blades, and other shaving, soap and cosmetic products.

At the present time, about 80% of our business is in the shaving field and though we anticipate an increase in the gross sales of these products, the percentage probably will decrease, due to our diversification program.

With regard to electric shavers, it is my opinion that, though they undoubtedly have prevented razor blade sales from increasing as rapidly as they might have, they are not a tremendous threat. One indication of this is that razor blade sales have continued to increase along with the increase in population, and even a man who owns an electric shaver generally uses a safety razor in order to get a really close share.

FREDERICK R. WEISMAN

President, Hunt Foods, Inc.

I am in agreement with the economists who believe that the prosperity of 1955 will continue into 1956. The outlook for industry as a whole is good. The food industry, which is less subject to fluctuation than many others, is looking forward to the coming year with more optimism than we have noted in a number of years. In fact, it would appear that the various segments that make up the food industry are all preparing for increased activity.

Frederick Weisman

At Hunt Foods, we are making plans to step up our efforts in a number of different ways, and we are fully confident that our program will be consistent with the over-all business pattern which will develop as the year progresses. Those of us who are in the canned foods business feel that we have already met the challenge of "new food items" and, as producers of the "original convenience foods," we are confident that our position is a strong one. We expect, of course, to strengthen our position even more by keeping alert to new scientific developments which might improve quality, speed up operations or effect economies which would enable us to offer even better food values to our customers.

We believe that the progress made by the food industry in recent years constitutes a trend which will continue in 1956. We feel certain that an industry that is as competitive as the food industry will be taking aggressive steps in the months ahead, not only to maintain but to improve its position.

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CHARLES P. WHITEHEAD

President, General Steel Castings Corporation

The steady increase in almost all aspects of our business which we experienced in the year just closed is expected to continue well into 1956. General Steel's principal products are large integral steel castings for railroad cars and locomotives, cast armor steel tanks for national defense and other large castings for heavy industry. In all of these fields, orders during the past year have run substantially ahead of 1954, and are continuing at a rate which indicates further increases in production and shipments in the year ahead.


Chas. P. Whitehead

The year 1956 should also see major progress for General Steel in diversification. Last December, General Steel purchased The National Roll and Foundry Company of Avonmore, Pa., which we will operate as a wholly owned subsidiary. Since its founding as the West Penn Foundry Company in 1894, National has specialized in casting and machining iron and steel rolls for forming and processing many types of metal, rubber, plastic and other material. In acquiring National, we are adding a new line of products closely related to our own field of experience in production. We expect that National will benefit from the diversity of experience and from our extensive metallurgical research facilities—and also from General Steel's effective national sales program. It is hoped that the joint effort of both organizations will contribute materially to sales and earnings in coming years.

General Steel's financial outlook for 1956 will be favorably influenced by the retirement, last year, of all the remaining preferred stock, which marked the end of a 15-year program of debt reduction and simplification of capital structure. This program was financed principally out of current earnings plus a $6 million eight-year bank loan. In this period, the company has redeemed $17 million of 5½% bonds and $10 million of $6 cumulative preferred stock. Only stock outstanding now is 472,201 shares of common.

In recent years we have also applied substantial portions of earnings to plant modernization and equipment. We plan to continue such expenditures this year, so that all of our plants at Granite City, Ill., Eddystone, Pa., and Avonmore, Pa. will remain in their present excellent condition.

The expansion of our foreign markets will receive a good deal of attention in 1956, as it has in the past year. We have recently started production on a $2,500,000 order for 70 cast-steel locomotive beds for the South African Railways. This is a solid indication that while steam locomotives are disappearing from the American scene, demand for General Steel's unique integral cast-steel beds will continue from major railroads in many parts of the world, where use of diesel or electric power is not economically feasible. The advantages of our beds are indicated by the fact that the South African Railways find them worth not only the higher initial cost (as compared with bolted multiple-part construction), but also the significant cost of transportation of the beds to Manchester, England, for assembly before final shipment to South Africa.

Domestic railroad demands are mainly reflected in our substantial backlog of orders for integral cast-steel truck frames for high-speed baggage and passenger cars, and cast-steel underframes for flat cars, pulpwood cars and depressed center cars. Production of these items is concentrated at Granite City and will go forward at a high level during 1956.

The coming year will also see a high level of production at Eddystone of large steel castings for steam turbines for the electric power industry, as well as a wide range of castings for general industrial customers.

Shipments of cast-steel armor hulls and turrets for Patton medium tanks for national defense will continue through 1956 under a new contract with Alco Products, Inc.

I. W. WILSON

President, Aluminum Company of America

Aluminum Company of America had its strongest year in history and looks for even greater growth and demand for its products in 1956. Long-range prospects are equally encouraging. Alcoa's output of primary aluminum was approximately 700,000 tons in 1955. In the coming year the company's installed capacity is scheduled to reach 792,500 tons with the completion of expansion projects at Point Comfort and Rockdale, Texas, and at Wenatchee and Vancouver, Wash.


I. W. Wilson

The tremendous growth of established and new uses for aluminum prompted Alcoa to spend more than $80 million in 1955 to increase smelting and fabricating facilities. More expansion is planned for 1956.

We intend to build a $35 million alumina plant adjacent to the Point Comfort smelter, providing the U. S. Army Engineers will construct a navigation channel from the Gulf of Mexico to the company's facilities.

Building construction displaced the transportation field as the biggest single market for Alcoa and the aluminum industry. With scores of aluminum-skinned buildings now under construction or in the planning stage, this use is certain to advance.

Automotive applications likewise advanced sharply and '56 and '57 models individually will utilize more of the light metal than ever before.

Interest in colored aluminum is mounting, since Alcoa announced recently it could provide fabricators for the first time with direct-from-the-mill shipments of the metal in many hues.

Unprecedented demand for aluminum foil in the home and industry was answered by Alcoa with a program to expand foil production capacity at Davenport, Iowa, and Alcoa, Tenn., by 32 million pounds during 1956. At Alcoa and Edgewater, N. J., foil facilities previously had been increased in 1955.

The company and Ekco Products, Inc., announced jointly the formation of Ekco-Alcoa Containers, Inc., to manufacture and sell aluminum foil containers. Construction of new facilities for this purpose is underway at Wheeling, Ill.

Agricultural uses of aluminum in irrigation pipe, farm roofing, pole barns, and farm gates are expected to continue to grow in the year ahead. Irrigation pipe production broke all records in 1955.

The economies of using light, efficient aluminum in the electrical conductor field have placed the metal in a strong competitive position for 1956 markets. Alcoa's Massena, N. Y., facilities are being expanded to include production of insulated aluminum line conductor.

Steadily rising demand for aluminum alloy sheet in light gauges and narrow widths for residential siding, sheathing for electrical conductor, containers, lamp bulb bases, and kindred uses will be met with a new 44-inch rolling mill to be installed at Alcoa, Tenn.

With sales increasing for such products as aluminum forged wheels for trucks and buses, Alcoa is expanding facilities for producing forgings and other aluminum products. As part of the Air Force Heavy Press Program, 50,000 and 35,000 ton hydraulic forging presses were put into production by Alcoa at Cleveland during 1955. Continued emphasis is being placed on research and development.

Products of Alcoa and its customers are being promoted through a new labeling identification program which will be intensified during 1956 . . . a year which bears every indication of a continued upswing in aluminum.

S. D. WHITEMAN

President, Kansas-Nebraska Natural Gas Company, Inc.

The outlook for the natural gas industry in the United States presents a real challenge to all engaged in the production, transmission and distribution of natural gas.

The American Gas Association estimates that all firm requirements of natural gas plus interruptible deliveries will aggregate $82.6 billion therms for the nation in 1958, equivalent to a gain of 23.6% when compared with 1954. Total firm requirements for ultimate consumers in 1958 are expected to exceed the 1954 level by 14.1 billion therms, representing an advance of 32.4% to 57.6 billion therms.


S. D. Whiteman

As regards residential demand for natural gas in the United States, A.G.A. forecasts an increase of 40.6% by 1958. Furthermore, peak day firm natural gas requirements of ultimate consumers are expected to rise from 290.5 million therms in 1954-1955 to 396.2 million in 1958-1959, equivalent to an increase of 36.4%. These figures graphically illustrate that the demand for natural gas is still on the increase and that the industry will be required to work harder than ever before at the task of supplying the nation's growing fuel requirements. It is anticipated that natural gas utilities and pipelines will spend $4 billion during the period 1955-1958 for new facilities. Of this amount, $1.9 billion, or 47%, will be spent for transmission facilities.

It can readily be seen that all three phases of the natural gas industry—production, transmission, distribution—are going to be plenty busy in the next few years. Transmission and distribution facilities will have to be improved and expanded to meet demand, and production will have to continue at an accelerated rate in order to supply sufficient reserves. In 1925 the estimated proven reserves of natural gas in the United States amounted to about 23 trillion cubic feet; in 1955 the amount was about 211 trillion cubic feet without regard to the amount which had been consumed during intervening years. Reserve figures must continue to increase so that natural gas consumers can be assured of a dependable, economical supply of fuel for years to come.

The prospects for the production end of the industry are somewhat in doubt at the present time. A recent decision of the United States Supreme Court held, in short, that producers of natural gas are subject to Federal regulation at the wellhead. This holding was contrary to the beliefs of the industry and the Federal Power Commission since the passing of the Natural Gas Act in 1938. Subsequent to the Supreme Court ruling, therefore, appropriate bills were introduced in the Congress to exempt the producer from regulation in some measure. The House version of this legislation, known as the Harris Bill, was passed during 1955 by a vote of 209 to 203; its Senate counterpart, the Fulbright Bill, will be voted on in 1956.

Federal regulation of the producer can seriously interfere with the flow of natural gas into interstate pipelines for delivery to the ultimate consumer. Natural gas users have no reason to be pleased over the prospect that future supplies might dwindle while consumption grows steadily greater. It is evident that 8,000 private, competing producers cannot be transformed into 8,000 public utilities without serious repercussions within the industry. This is especially true in natural gas production because of the necessity of a heavy initial outlay of capital and the high proportion of failure over success.

The trend of future events, if regulation remains with the producer, is already apparent in statistics. They show that the number of new gas wells and the amount of new gas reserves are declining. In 1953, the last full year before Federal control of production, 11.7 trillion cubic feet of natural gas were added to the nation's reserve supply against future needs. In 1954, the increase in reserves was only 263.6 billion cubic feet—a drop of more than 98%! Furthermore, during the first seven months of 1955, completion of new gas wells fell 12% below the figure for the corresponding period in 1954.

This is tragic proof of the result of Federal regulation of an aspect of the natural gas industry which had heretofore always functioned in the best interests of the consumer under the proven system of free competition.

Much has been said about protecting the consumer from "outrageous" prices demanded by producers. The record is to the contrary. In contrast to a 90% climb in the cost of living, the cost of gas service for the average American household rose less than 7% in the 16 years preceding the imposition of Federal controls on natural gas production. This 7% increase related to all types of residential gas—natural, manufactured and mixed—but the price performance of straight natural gas was even more noteworthy. Actually, there was a price decline of almost 7% in average monthly retail bills for straight natural gas for typical household uses from 1938 through 1953, the last full year before Federal controls were imposed on natural gas production.

Prices charged by producers for gas at the wellhead are a very small part of what household consumers pay for gas service. In New York City, for example, the average cost for a thousand cubic feet of natural gas to the household consumer was $2.08, yet the producer got only $0.08 of this. In Minneapolis, the producer's share was $0.10 out of $0.82; in Baltimore, $0.13 out of $1.51; in St. Louis, $0.10 out of $1.09. On a national average the producer's share is about 10% of what the household consumer pays for gas at his home.

The nation's 8,000 natural gas producers have no assured market as do pipeliners and distributors, and they do not render a utility service. Working under highly competitive conditions, the producers must have an incentive to take the financial risks involved in searching for and developing new gas supplies. Federal regulation and price-fixing remove this incentive to the detriment of the ultimate consumer.

All three segments of the natural gas industry—production, transmission and distribution—are interdependent. Regardless, therefore, of the promising outlook for the industry in coming years, still 1956 could be a year in which optimistic forecasts would have to be sharply revised unless the producer is returned to his previous status in free competition.

F. P. WILLIAMS

President, S. S. Kresge Company

We are optimistic over the prospects for a continuation of the favorable trend in retail sales through 1956. The first half looks very promising. 1956 promises to be a year of almost full employment with disposable personal income the highest level on record. Individual family income will be at a record high with an increasingly greater per cent of families in the middle income bracket. It is forecast there will be almost a 25% increase in the number of children through the high school age.


F. P. Williams

This change in our economy offers our type store an excellent opportunity to improve our sales position in 1956. We must anticipate the need for greater emphasis on higher priced feature items within our assortments to keep in tune with the demand of higher income families.

Our physical plants have been built and modernized, emphasizing greater display space in order to offer our customers more complete assortments. Although the majority of new stores are being opened in shopping centers, we are optimistic over the future of our downtown stores as is evidenced by improvements in these locations. A greater share of shopping is done in family units, at less frequent intervals . . . in many cases, once a week. Less time is available to our population for shopping and we are in a better position to offer the needed fast, complete, one-stop shopping in this stepped up economy.

Buying organizations have been strengthened with specialists trained in the selection of the most complete assortments of the latest in design and style and best quality of merchandise we can find to present to our customers. Much has been learned in recent years concerning the most productive presentation through display, packaging and specialized service that is in keeping with future sales possibilities.

Sales in our field have not kept pace with industry, as a whole, and no doubt it has been due to our failure to anticipate through research and courage the changing needs of our customers and the proper methods and timing of merchandise presentation. We have reason to feel confident that 1956 will produce more favorable comparisons.

Prospects for retailing in the variety field are very promising. The people realize the variety stores over the years have built their reputation on giving the customer quality merchandise within a limited price range at the lowest possible price. A continuation of this policy adjusted to our new economy levels and combined with the latest in shopping convenience and service will assure our stores a deserving share of consumer patronage in 1956.

HANS J. WOLFLISBERG

President, The Nestlé Company, Inc.

Price reduction in 1955 in the coffee producing countries was reflected in lower costs, particularly of instant coffee, to the consumer who responded by buying more of this type than ever before. Similar price reductions in cocoa beans afforded bigger values in chocolate products and boosted sales.

Hans J. Wolflisberg

Instant coffee sales increased 20% over the 1954 volume for a total retail volume of over $350 million in the year just ended. We expect industry-wide sales of instant coffee to be even bigger in 1956.

Each successive year has seen a rise in instant coffee sales ever since Nestle's introduced Nescafe, the world's first modern instant coffee, in 1939. And, despite political uncertainties in some countries where coffee is grown, prices of instant coffee will continue to give excellent value to the consumer.

Tangible evidence of the rising popularity of instant coffee in general, and Nescafe in particular, is seen in the fact that in 1955 more than one million housewives sent for the special six cup silex coffee maker sold as a premium in connection with Nescafe. This substantial response to an offer of a premium suitable for the preparation of instant coffee by the potful, shows that the public has come to regard the product as a beverage for the entire family and not simply as a one cup convenience coffee. The flavor quality and economy of Nescafe and our other two brands, Decaf and Nestle's Instant Coffee, have made them the accepted all-occasion coffee in a huge number of homes. Their popularity is an indication of the broadening market for all instant brands.

New regional markets were opened for Decaf, the instant decaffeinated brand, during 1955 and it is now sold in most metropolitan areas east of the Mississippi.

Nestle's Instant Coffee, a companion blend to Nescafe formulated for people who prefer a milder, mellower cup of coffee, is now in markets on both the Atlantic and Pacific coasts and is being advertised and merchandised extensively.

The increasing demand for its instant coffee has impelled Nestle's to purchase a 70 acre tract in Suffolk, Va., for a fifth instant coffee plant. The site was chosen primarily for its excellent water supply, an important factor in instant coffee manufacture, and also because of its proximity to adequate rail and truck transportation routes.

Development in the convenience foods included a rising popularity in our firm's Cookie Mix. Also in 1955 Nestle's began packaging its Toll House Cookie Mix, which includes Semi-Sweet Chocolate Morsels, previously available only in separate packages. A greater demand was also registered for the chicken and beef bouillon cubes manufactured by our Maggi division. The cubes are used not only as a beverage but have become extremely popular because of the way they enliven the flavor of gravies, soups and stews.

During 1956, ground will be broken on the plot the company owns on Bloomingdale Road in White Plains for construction of its projected executive headquarters building. During 1955 we had to rent additional office space in White Plains on two occasions to provide for our growing operations.

Newspaper and magazine advertising, expanded during 1955, will be continued on an intensive basis. During the past year the company's aggressive point of sale merchandising program proved popular with dealers and will be continued.

Last fall Nestle's commenced sponsorship of its own half hour, network television program, "Stage Show," starring the Dorsey Brothers Orchestra and the June Taylor Dancers and featuring guests widely known in the entertainment field. The program has consistently been given an enthusiastic reception by listeners. Both Nescafe and chocolate products are advertised on "Stage Show" and a sales increase, attributable directly to the program, has been obvious.

The keen competition in the food business will continue unabated in 1956, with the consumer being the gainer. Competition forces the constant rise in the quality of convenience foods at lowest possible prices, thus not only giving the consumer better value as time goes on but broadening the market for manufacturers able to meet the constantly rising standards set by such competition.

HERBERT B. WOODMAN

President, Interchemical Corporation

Interchemical is a manufacturer of diverse chemical coatings for use in industry, such as printing inks for packaging and publications, industrial finishes, textile colors, coated fabrics and others. As our sales tend to follow the Federal Reserve Board of industrial production (adjusted to exclude heavy industry and armaments) the optimistic predictions for the next six months promise a high level of activity for all our operating units.

Herbert B. Woodman

Constantly rising costs in the industries which use our products encourage us constantly to strengthen the research program which has always been the foundation of our activities and which, in 1955, helped us achieve record sales of about $100,000,000. A faster-drying ink which permits the speed of a press to be slightly increased, an enamel which allows an appliance manufacturer to pass a few more units through his production lines without increased labor costs, is of great interest to our customers at a time when the industrial capacity of the country is being strained and we are reaching the limits of available manpower.

Such increased productivity through chemical coatings which permit greater operating efficiencies, in our business, comes only through the kind of basic, organized research which Interchemical has sponsored since its founding and through our over-all technical attack, a combination of thinking, training and experience which brings the benefits of advancing technology to the industries we serve with chemical coatings.

Our technical service to customers is being supported by a high rate of plant expansion required by our growing markets.

The dynamic packaging industry, which takes more than a third of our output and which is serving the self-service marketing revolution, promises growth greater than average during the next year. This, combined with the generally higher standard of living in the United States which always accelerates the demand for the color supplied through chemical coatings, makes us believe that 1956 offers new opportunities and that we are in a position to take advantage of them.

STANLEY WOODWARD

President, The Ruberoid Co.

If the predictions of the U. S. Commerce and Labor Departments are accurate, building materials producers are likely to increase the volume of their output in 1956. These agencies estimate that total expenditures for new construction in the new year will be about 5% higher than the estimated $42 billion record set in 1955.

Stanley Woodward

Along with a high level of activity, we expect to see a continuation of the keen competition for markets among most building material manufacturers which characterized the industry in 1955. The Ruberoid Co. is a leading manufacturer of asphalt and asbestos building products.

In the past 12 months, the economy in general and construction in particular, were spurred by factors which have resulted in a record building pace in almost every one of the post-World War II years. Keys to the industry's prosperity have been nearly full employment and increasingly high levels of consumer incomes. Added to these stimuli have been a growing population and a tremendous shift of families from one part of the country to another. In the year ending last April, for example, more than 30,000,000 people changed homes, most of them going from the cities to the suburbs.

Easy mortgage credit, which has played an important part in enabling families in modest income brackets to buy homes, was tightened somewhat in 1955 and this action seems to have caused a temporary decline in home building. However, government officials are confident that credit restrictions will be relaxed early in the new year so that around 1,200,000 new nonfarm houses will be started in 1956 as compared with 1,300,000 in 1955. Since Americans are demanding better homes with greater floor space and more quality features, all authorities believe that the possible decline in houses started will be more than offset by a higher dollar cost per unit.

There are nearly 50,000,000 dwelling units already standing in the country, all of which need constant care to keep them in habitable condition and many of the newest houses built in the postwar years are too small for today's families. Consequently, the real emphasis in the building materials field in 1956 will undoubtedly be in the realm of repair, renovation and enlargement. This will be an important market, especially for the roofing and siding products which Ruberoid manufactures.

There is little doubt that builders are going to be busy again in the coming year, but since almost all materials are in ample supply, competition among manufacturers as well as among various kinds of materials is likely to be extremely keen. The real rewards in 1956 are going to be earned by those companies which manufacture most efficiently, offer the highest quality and which exert the greatest selling effort.

C. E. WOOLMAN

President and General Manager, Delta Air Lines

The amazing economic growth of the South and Southwest during the past two decades is one of the most dramatic stories of this century.

It is almost necessary to have lived in the South to appreciate the full impact of the changes which have occurred.

C. E. Woolman

The long domination of cotton has ended. The South surges with new industry and the economic base of the entire region has shifted.

There are fewer farms and more factories, greater urbanization, and higher per capita income. A major force in attracting new plants to the South has been the area's constantly expanding consumer market.

Every economic index measures the astonishing growth of the whole broad region stretching from the Atlantic Seaboard a thousand miles west to Fort Worth and Dallas. This economic upsurge has captured the attention of all America. Interestingly enough, this growth has coincided in time with the age of Delta, and with the growth of the air transport industry generally.

In a sense, commercial aviation is pacing the South's progress.

Just as the growth of the Old South was closely tied to a new and growing railway system, so has the industrial expansion of the booming New South been linked to air transport.

As industrialization continues, good scheduled air service will play an increasingly important role in the economy of the region.

Commercial aviation was in its infancy when Delta was organized in Louisiana in 1925 as the world's first commercial crop dusting company. Our company has been engaged in passenger-carrying operations since June 1, 1929, when we inaugurated service across the South.

Our original route from Dallas-Fort Worth to Atlanta has expanded into a 10,765-mile system on which we are authorized to serve 66 cities in 20 states, the District of Columbia, and seven Caribbean countries.

Delta has achieved a remarkable record of growth during the past decade. During the first 10 months of 1955, Delta carried 1,933,559 passengers, a 764% increase over the same period in 1945. Revenue passenger miles increased 898% to 850,216,154.

Air express pounds jumped 877% during the past decade, with the first 10 months of 1955 reflecting an 11% gain over 1954. Our airfreight business in the same period was up 16% over 1954.

In the 10-year period, 1946-55, Delta's assets increased nine-fold—from $6,034,364 to $54,049,882. Stockholders' equity increased nearly six times—from $4,220,770 to $25,109,000.

Our company's earnings for the fiscal year ended June 30, 1955 totaled $1,911,000, representing a 3.6% of operating revenues of $59,188,000. A profit of $268,000 on aircraft sales boosted this figure to $2,179,000, equal to $3.61 a share on 604,213 shares of common stock then outstanding.

Delta's net income for the quarter ended Sept. 30 was $636,000, equivalent to 86 cents a share.

During the past year, $10,900,000 or 5½% debentures issued at the time of the merger of Chicago and Southern Airlines into Delta on May 1, 1953 were recalled. Of this amount, $6,931,500 of debentures—64% of the total—were converted into Delta stock. A total of 797,769 shares of common stock were outstanding on Nov. 30.

The most significant occurrence for Delta Air Lines in 1955 was the Civil Aeronautics Board decision granting it a route extension to New York from the South and Southwest, via the intermediate cities of Charlotte, Washington, Baltimore and Philadelphia.

This award, effective Jan. 20, 1956, is the culmination of 10 years of effort to provide a better air link between the dynamically expanding South and Southwest and Main Street America.

Delta's extension from Atlanta to New York and from New Orleans west to Houston will permit us to meet a long-time need of the entire South for competitive air service to the Northeast, and will further accelerate the economic growth of the nation's most rapidly expanding area.

We plan to inaugurate services over the new route as soon after the effective date of the Board's order as the availability of satisfactory ground facilities will permit.

Delta is well prepared for the new challenge and the new opportunity for greater service which our expanded operations will present.

Our fleet of 54 modern aircraft includes 11 Golden Crown DC-7's, the fastest and finest commercial transport flying today, and we have 10 more of these super-swift airliners on order. Also on order for delivery beginning in August, 1956 are five Convair 440 Metropolitans, which will supplement the 20 twin-engine Super-Convair 340 planes and seven DC-6 four-engine transports which we are now operating.

With the $28,000,000 worth of planes now on order,

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Delta's investment in its fleet modernization program totals $61,000,000.

Delta expects to introduce jets on its system as soon as they are available, and we will make an announcement soon on the type of equipment we will order.

We have just purchased $1,500,000 worth of airborne radar and other electronic equipment and we expect to have our first radar-equipped DC-7 in operation this month. The aircraft with which we will operate our new services to the Northeast will have this equipment installed.

The year just ended has been a good one for the airlines.

Revenue passenger miles flown by the industry in 1955 will be approximately 19% greater than 1954, and Delta experienced a similar increase. It is reasonable to expect that the continuing rise in both population and personal income will result in further traffic gains. Inter-area competitive services recently authorized by the Civil Aeronautics Board in the Southwest-Northeast case should stimulate this growth.

We look to 1956 with confidence and firm expectations of continued progress by the air transport industry.

FREDERIC E. WORDEN

Chairman and President, The National Bank of Auburn, Auburn, N. Y.

The year 1956 promises to maintain the high level of business activity reached in 1955. More people are having more money to spend than ever before and most of them intend to spend it. This makes for good business for nearly everyone. The increase in minimum wages to a dollar an hour in March together with other adjustments which this increase will force, will increase disposable income. These increases will materially affect business activity.

Frederic E. Worden

Competition will be keener which may account for a substantial increase in sales with profits not showing a like percentage in gains.

1956 above all will be an election year and the pulse of business will fluctuate from time to time with the change in political sentiments. After all, big business has pretty much had its own way for the past three years. A change in Administration might mean a review of mergers, consolidations and large profits. This would have a direct effect on the economy and the business atmosphere.

The money managers will watch very closely inflationary pressures and will not be reluctant to make changes as they may be required, either to restrain tendencies towards boom conditions or to encourage more liberal credit if business slackens.

The increase in population will continue to exert pressures on the building industry. There will be a continuing substantial demand for housing as well as public schools, hospitals and other public buildings.

The cost of production has constantly been decreasing but to offset this, the cost of distribution has increased. It may, therefore, be expected that there will be no decrease in the cost of living.

If 1956 follows the optimistic pattern of the majority of forecasters, it will indeed be a banner year. It may be that after elections, both Presidential and Congressional, are over, there will be a period of hesitation and leveling-off in business. This will only mean keeping the economy on a sound basis and should bring only a slight recession. Looking forward to the future it should give a period of confidence that all is well.

WILLIAM P. WORTHINGTON

President, Home Life Insurance Company, New York

The outlook for 1956 in the field of life insurance is for another record-breaking year.

In 1955, Home Life's new business exceeded that of the previous year by slightly more than 20%. The entire life insurance business experienced a similar increase with purchases of new ordinary life insurance totaling about $30 billion. There are strong indications that the 1956 total will pass the $35 billion mark. These figures are truly amazing when compared to annual life insurance purchases of only $10 billion a short decade ago.

Wm. P. Worthington

What is behind this tremendous upsurge? Well, the most obvious reason is the state of the national economy: business is booming, productivity is at a peak, and incomes are higher than ever. There is more money available for saving and investing; it follows naturally that this will be reflected in growth for the institution of life insurance.

However, two other factors are operating to make the outlook especially favorable for this business and this company. One is the marked increase in the public's appreciation for planned life insurance and the things it can accomplish. Americans want to safeguard the better standard of living which they have achieved and recognize in carefully planned life insurance a guaranteed way to do it.

The other factor operating on behalf of life insurance is the existence of a huge backlog of need for insurance protection. Today the average policyowner only has $3,600 of life insurance, despite his greatly increased earnings. It would take more than twice the amount of life insurance existing at the beginning of 1955 **just to equal** the prewar level of protection by family income groups. And in the past 15 years Home Life has seen its own market for "Planned Estates" service increase more than seven-fold.

We in the life insurance business see in the current economic picture not only an opportunity but also an **obligation** to expand our sources of business. To justify their existence as a vital social and economic force, life insurance companies must reach an ever-increasing segment of the public in need of their services. Otherwise, they lose their markets by default to agencies outside the life insurance business which constantly press in to fill the vacuum of unfulfilled economic need.

For its part, the Home Life Insurance Company has embarked on a vigorous Ten-Year Plan for Building Business Sources. Briefly, this calls for national expansion to 18 new market areas with three new field offices each year for the first five years and five new offices each year thereafter until 1965—with a proportionate increase in the manpower throughout the company. We are convinced that if ever there was a time for company growth, this is it.

In our view, there is good reason for the life insurance business to be confident about 1956 and the years ahead.

WILLIAM F. WYMAN

President, Central Maine Power Company

About two-thirds of Maine's population and industrial plants are located within Central Maine Power Company's service area. Therefore a brief look at our company sales records offers a fair indication of the current over-all conditions of business in the state as a whole.

Wm. F. Wyman

Sales of electric energy in 1955 showed an increase of about 9% over the previous year, continuing and even accelerating the trend of recent years. Residential, commercial and industrial customer classifications all participated in this increased use of electricity.

Central Maine Power's expansion program to meet anticipated increases included the addition of one new hydro-electric generating unit and one new steam-electric generator, each rated at 30,000-kilowatts. Both were placed in service late in 1955. Ground also was broken for the construction of another new steam plant which will add 44,000 kilowatts in 1956 and a similar amount in 1957.

In examining the industrial situation as the principal unit of the state's economy, it would appear that the general optimistic predictions for the nation as a whole also will hold true for Maine. Setting aside anticipated seasonal fluctuations, the Maine Employment Security Commission states: "the over-all economic picture appears to be considerably more favorable than a year ago with adverse trends of the past 12 months in some industries having been more than offset by improvements in other activities."

The "adverse trends" mentioned above refer, of course, to the transition taking place nationally within the textile industry. Some plants within the state were affected. However, of the 71 textile plants located in Maine 61 are now in operation, and there are not at this time any indications that others are planning to close.

In the meantime, modernization and expansion programs of existing industries plus the acquisition of new industries have tended to broaden and strengthen the entire industrial situation.

The greatest industrial gains in Maine have been recorded by the shoe and leather products group. Employmentwise, this industry now leads all manufacturing groups within the state. In fact, the employment increases in the past year in this one field almost equals the total number of jobs affected by the closing of the 10 textile plants.

Maine's large pulp and paper industry which has spent many millions of dollars in expansion programs has made impressive gains and looks forward to a period of continued high production. Food processing and kindred products, shipbuilding and lumber and wood products also have been among the leaders in recent manufacturing expansions.

The past 10 years have witnessed an increasing diversification in Maine manufacturing. The 1954 Census of Maine Manufacturers showed 16 major classifications with 89 related sub-divisions. Since diversification generally is conducive to greater economic stability, it is interesting to note that with the increased tempo of industrial promotion diversification as well as industrial expansion is receiving attention.

Maine became the first state in the nation to make an appropriation to advertise and publicize its resources when, in 1927, the legislature created the Maine Development Commission. In 1955 the legislature, wishing to expand this type of activity, replaced this Commission with a new Department of Development of Industry and Commerce and allocated more money to these activities.

Currently this new body is setting up a program whereby it will train community leaders to form and operate industrial development groups at the local level. Recently several communities have carried out successful programs along these lines.

Another indication of the probability of the success of the new industrial development program is the wholehearted support being given the official state department by communities and by privately financed groups such as the Development Credit Corporation of Maine, another field in which our state pioneered, the Maine State Chamber of Commerce and the Maine Publicity Bureau. Public spirited individuals and businesses such as newspapers, banks, electric utilities and railroads are lending their full support, too, in this mutual endeavor to help Maine industry go forward.

Area Investments of Life Insurance Funds

Distribution and amounts of investments by U. S. life companies, revealed by Life Insurance Association of America study, shows Western states greatest gainers.

The largest increases in invested life insurance funds have been recorded in the Mountain, West South Central and Pacific States in recent years, according to the Institute of Life Insurance.

This is shown in an analysis made by the Life Insurance Association of America of the investment distribution at the start of last year among companies representing 86% of total assets of all U. S. life companies.

The investments of these companies in the 15 Western and Southwestern States increased by $7,170,000,000 in the five previous years and rose by nearly $1,500,000,000 in 1954 alone.

These 15 states combined also showed the greatest rate of gain in life insurance ownership in this 5-year period and the sharpest rise in non-agricultural labor force.

Greatest rate of gain in life insurance investments was in the Mountain States, where the year's rise was 13% and the 5-year increase was 75%. The aggregate invested funds of the companies surveyed total $2,649,000,000 in the Mountain States at the start of last year, an increase of nearly $300,000,000 in the year and nearly $1,150,000,000 in the five years. Financing for home owners and corporate securities representing plant construction and job creation in the eight Mountain States accounted for virtually the entire increase in life insurance investments in that region.

The life companies' investment in the West South Central States at the start of 1955 was $7,824,000,000 a 5-year increase of 66% and a one-year rise of 9%.

In the Pacific States, the investment totaled $7,804,000,000 at the start of last year, a 5-year increase of 60% and a one-year rise of 8%.

The region with the greatest aggregate investment of life insurance funds was that of the Middle Atlantic States, where the life insurance ownership is the greatest. In that three-state area, total investment holdings of the life companies surveyed were $13,198,000,000 at the start of last year, a rise of 18% in the five years and of 4% in the single year.

The East North Central States of Ohio, Indiana, Illinois, Michigan and Wisconsin came a close second in aggregate investment, with $13,167,000,000, up 37% in the five years and 8% in 1954.

These life companies' investment holdings in the other regions at the start of 1955 were as follows: New England, $2,954,000,000; West North Central, $5,402,000,000; South Atlantic, $8,125,000,000; East South Central, $3,586,000,000. An additional $8,642,000,000 was in Canadian, foreign and unclassified investments.

Southwestern Inv. Co. Senior Notes Placed

White, Weld & Co. and Schneider, Bernet & Hickman, Inc. have arranged the private placement of $5,000,000 4% senior notes due Dec. 15, 1965 and $2,500,000 4% senior notes due Dec. 22, 1965, of Southwestern Investment Co., it was announced on Jan. 24.

Cashiers Div. Elects

At the annual meeting of the Cashiers Division Association of Stock Exchange Firms, the following officers were elected for the current year:

President: George J. Miller, Hallgarten & Co.

Vice-President: Myrvan P. Burns, Bear Stearns & Co.

2nd Vice-President: William F. Dolen, Eisele & King, Libaire, Stout & Co.

Treasurer: Joseph A. Costa, L. F. Rothschild & Co.

Secretary: George B. Lawrence, F. S. Smithers & Co.

Wall St. Cashiers Elect

At the annual dinner meeting of The Cashiers Association of Wall Street, Inc. the following officers were elected: President, Sam Minsky of Hardy & Co.; First Vice-President, Howard W. Sumner, Halsey, Stuart & Co., Inc.; Second Vice-President, Edward H. Devlin, Green, Ellis & Anderson; Treasurer, C. Russell Berger, G. A. Saxton & Co., Inc.; Asst. Treasurer, Robert A. King, Shearson, Hammill & Co.; Secretary, Joseph T. Cashman, D. A. Lomasney & Co.; Asst. Secretary, Matthew P. Deane, L. F. Rothschild & Co.

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President's Budget Proposals

the government would be trying to serve.

With a sense of proportion and with a sound progressive policy, we can continue our sure advance toward our objectives. The results to date of sound financial management so demonstrate. While continuing substantial expenditures for military defense and mutual security, with some increases where needed, we can now propose the expansion of certain domestic programs, and, at the same time, strengthen our financial position by a balanced budget. But we must make sure that we do not undermine our financial strength by laying the groundwork for future budget deficits.

Budget Expenditures

Expenditures By Purpose

When we look at the budget in terms of a few broad purposes, we find that the greatest portion, 64%, of the expenditures in the fiscal year 1957 will be for deterring possible aggression and for strengthening the international alliances to which we belong. The next largest part, 21%, will be devoted to civil benefits of various kinds. Interest, largely on the public debt, will amount to nearly 11%. Expenditures for civil operations and administration are estimated at 4% of the total.

Protection, Including Collective Security

In this summary classification of broad purposes, expenditures for protection include more than the four major national security programs. They embrace the military functions of the Department of Defense, including construction and procurement; the Mutual Security Program; the Atomic Energy Commission, and other programs such as stockpiling, expansion of defense production, civil defense, and our foreign information activities.

In planning such great security programs, it is clear that we must never permit ourselves to be panicked by temporary crises or beguiled by a campaign of smiles without deeds. We continue to maintain and to strengthen our national security forces.

Expenditures for atomic energy, including peaceful applications, will rise in 1957 to a somewhat higher total than for any previous year. I am also recommending an expansion of our foreign information activities so that we can more successfully advance understanding abroad of our policies and their peaceful intent.

Civil Benefits

A great variety of government programs provide civil benefits and services for the nation as a whole and for specific groups. They encourage the private development and growth of our economy and provide certain economic safeguards for individuals and groups in order that our dynamic system of free choice may operate effectively in the modern world.

Some of these benefits and services are in the form of public works or loans which add to Federal assets. Expenditures for long-range development, such as those for health research and for grants to states for construction, also lay the foundation for future economic progress and development. However, the bulk of the benefits and services are for current expenses, including veterans' benefits; aids to agriculture; aids and subsidies to shipping; airlines, and the postal service; and grants to states for public assistance and administration of employment offices and unemployment insurance.

My recommendations for the fiscal year 1957 under this heading of civil benefits are designed to build for the future by assisting further in the strengthening of agriculture; in the promoting of labor standards; in the building of schools; in the expansion of research and training in science, health, and agriculture; in the modernization of our highways; in the improvement of housing and urban facilities; in the enlargement of our airway traffic capacity; in the replacement of our merchant fleet; and in the conservation of our natural resources.

In discharging the responsibility for fostering a growing prosperity that is widely shared, I have been mindful of two principles.

First, we will progress fastest by relying on private initiative as the mainspring for economic growth and a better life for all. In encouraging economic growth, the government should act on the basis of enabling private activity to expand and not on a basis of replacing private with public activity. My recommendations, therefore, are designed to encourage private initiative and to contribute toward, or, in some cases, to undertake tasks which private enterprise cannot perform alone.

Second, the interests of our citizens are best advanced by encouraging state and local governments to strengthen themselves and thus keep as much government responsibility as possible in the states and communities, close to the people themselves. The Federal actions which I am proposing are designed to meet real and pressing needs which most smaller governmental units cannot cope with by themselves. Our endeavor is to help fill the gap between the need for essential services, on the one hand, and the present ability of state and local governments to meet those needs, on the other. Wherever possible and logical, I propose that responsibility and costs be shared by these other governmental units.

A corollary of these two principles is that where Federal action is necessary, it should be taken, if possible, in a way that need not entail large or continuing Federal outlays. For some activities, Federal guaranties will encourage the availability of private credit. For other activities, partnership with private or state and local government interests will multiply the effectiveness of Federal expenditures. . . . I firmly believe in the principle that government services which give a special benefit to users should be financed by adequate charges paid by the users.

In furtherance of this principle, I strongly recommend that the Congress enact legislation to increase postal rates so that users are no longer subsidized from general funds.

Expenditures by Controllability

Another way of looking at and grouping budget expenditures is from the point of view of their controllability through the budget process. Each year when a budget is being determined, a large amount cannot be substantially modified by actions of the executive branch or of the Congress through the appropriations process but only by longer term review and action. In the fiscal year 1957, about one-quarter of the estimated budget expenditures are dictated by factors not readily subject to administrative discretion through the budget process.

Interest is the largest example of such an expenditure. Most of the other relatively uncontrollable programs, such as agricultural price supports, veterans' compensation and pensions, and various grants to states, are in the field of civil benefits as classified in the previous section.

New Authority to Incur Obligations

Before any budget expenditures can be made, the Congress must first authorize Federal agencies to incur obligations. This authority, ordinarily provided in the form of appropriations, may or may not lead to the immediate expenditure of funds. In the case of salaries and the purchase of supplies, the expenditure will ordinarily follow closely the incurring of the obligation. For other items such as ships, aircraft, and complex military equipment, the expenditure may follow the incurring of the obligation by several years.

Unexpended balances of appropriations carried over from prior years ran to nearly $80 billion when this Administration took office and represented an enormous backlog of commitments for which expenditures had to be made in the fiscal year 1954 and subsequent years. These balances represented, in effect, C. O. D. orders which had to be paid for in cash when the goods were delivered and constituted a heavy overhanging load for the budget on top of the appropriations being enacted currently.

By the end of fiscal year 1953 we expect to have reduced these balances by well over a third, to below $50 billion, a level believed more reasonable in its relation to actual needs for current operations.

For the fiscal year 1957, requested new authority to incur obligations is about the same as estimated budget receipts and slightly greater than estimated expenditures. However, the backlog of unexpended balances of appropriations will be further reduced as some appropriations enacted in prior years will be allowed to lapse. This continues the policy of the two previous budgets I sent to the Congress, in which I emphasized the importance of actions to eliminate excessive accumulations of unexpended balances, which so frequently invite commitments leading to unnecessary future expenditures.

Of the total new authority I am recommending for the fiscal year 1957, action by this session of the Congress will be required for $58.3 billion. The remainder consists of previously enacted permanent authorizations under which new authority becomes available each year without new action by the Congress. An example is interest on the public debt.

Budget Receipts and Tax Policy

We have noted that in 1954 reductions in spending made possible—and appropriate in the existing circumstances of transition to a peace-time economy — the largest dollar tax cut in any year in our history. Almost $7½ billion were cut from the sums required of the taxpayers and every taxpayer in the country benefited. Almost two-thirds of the savings went directly to individuals. This tax cut also helped to build up the economy, to make jobs in industry, and to increase the production of the many things desired to improve the scale of living for the great majority of Americans.

The strong expansion of the economy, coupled with a constant care for efficiency in government operations and an alert guard against controllable waste and duplication, has brought us to a prospective balance between income and expenditure. This is being achieved while we continue to strengthen the military security forces and enlarge services to the public.

To reach a balanced budget in the fiscal year 1956 and in the fiscal year 1957, it will be necessary in addition to continuing everyday efforts to keep spending under control, to continue all the present excise taxes without any reduction and the corporation income taxes at their present rates for another year beyond April 1, 1956.

Based on the extension of these tax rates, budget receipts in the fiscal year 1957 are estimated at $66.3 billion, $1.8 billion higher than in the current year.

It is unquestionably true that our present tax level is very burdensome and, in the interest of long-term and continuous economic growth, should be reduced when we prudently can. It is essential, in the sound management of the government's finances, that we be mindful of our enormous national debt and of the obligation we have toward future Americans to reduce that debt whenever we can appropriately do so. Under conditions of high peacetime prosperity, such as now exist, we can never justify going further into debt to give ourselves a tax cut at the expense of our children. So, in the present state of our financial affairs, I earnestly believe that a tax cut can be deemed justifiable only when it will not unbalance the budget, a budget which makes provision for some reduction, even though modest, in our national debt. In this way we can best maintain fiscal integrity.

Public Debt

On the basis of present estimates, we should be able to end the current fiscal year with a small reduction in the public debt, and a small further reduction is anticipated for the fiscal year 1957.

The immediate economic effects of the public debt depend partly on its management. During each year various issues of government securities become due and refinancing must be arranged. In the past several years the Treasury has cooperated closely with the Federal Reserve System to assure that the management of the debt is consistent with our general monetary and credit policies. These actions have helped sustain a sound and growing business activity without inflation or deflation.

The Treasury has also taken steps toward lengthening the average maturity of the debt so as to avoid its becoming concentrated too heavily in short-term issues. Further, the number of financing operations each year has been reduced. These actions lessen the impact of Treasury financing on the market and give the Federal Reserve System greater freedom in its operations.

Last year the Congress extended through June, 1956, a temporary increase during the fiscal year in the statutory debt limit from $275 billion to $281 billion, so that the Treasury could meet its heavy temporary borrowing needs during the first half of the fiscal year 1956, when tax receipts are seasonally low. The Treasury is currently operating within $1 billion of the temporary debt ceiling, and on cash balances that at some periods offer little flexibility in the management of government finances. Even with a balanced budget in 1956 and 1957, seasonal borrowing in the first half of fiscal year 1957 will temporarily bring the debt above the $275 limit. Therefore, a continuation of the legislation allowing a temporary increase during the year in the statutory debt limit is required.

Major National Security

Budget expenditures for major national security programs in the fiscal year 1957 are estimated at $40.4 billion, $903 million more

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SUMMARY OF BUDGET EXPENDITURES

BY FUNCTION AND AGENCY

Based on existing and proposed legislation

(Fiscal years. In millions)

Description	1955 actual			1956 estimated			1957 estimated		
	Gross expenditures	Applicable receipts*	Net expendit's	Gross expenditures	Applicable receipts*	Net expend.	Gross expenditures	Applicable receipts*	Net expenditures
BY FUNCTION									
Major national security	$41,124	$498	$40,626	$39,737	$271	$39,467	$40,674	$305	$40,370
International affairs and finance	2,514	333	2,181	2,497	444	2,053	2,591	481	2,108
Veterans' services and benefits	4,496	39	4,457	4,839	46	4,793	4,934	55	4,879
Labor and welfare	2,554	1	2,552	2,769	2	2,767	2,997	2	2,995
Agriculture & agricultural resources	9,324	4,913	4,411	8,575	5,199	3,376	9,070	5,706	3,364
Natural resources	1,304	223	1,081	1,302	256	1,045	1,297	266	1,031
Commerce and housing	6,139	4,517	1,622	6,259	4,077	2,182	6,299	4,228	2,071
General government	1,204	3	1,201	1,614	3	1,611	1,760	3	1,757
Interest	6,438	----	6,438	6,875	----	6,875	7,066	----	7,066
Reserve for contingencies	----	----	----	100	----	100	225	----	225
Total budget expenditures	$75,097	$10,527	$64,570	$74,567	$10,298	$64,270	$76,914	$11,049	$65,865
BY AGENCY									
Legislative branch	65	----	65	98	----	98	123	----	123
The judiciary	30	----	30	37	----	37	41	----	41
Executive Office of the President	9	----	9	10	----	10	10	----	10
Funds appropriated to the President	4,881	501	4,381	4,736	274	4,462	4,662	309	4,353
Independent offices:									
Atomic Energy Commission	1,857	†	1,857	1,715	†	1,715	1,946	†	1,946
Veterans Administration	4,505	100	4,405	4,841	109	4,732	4,945	125	4,820
Other	3,008	2,504	504	3,301	2,630	671	3,510	2,804	706
General Services Administration	978	5	973	662	4	658	560	4	556
Housing and Home Finance Agency	1,270	1,117	153	1,118	1,099	19	1,287	1,354	‡67
Department of Agriculture	7,655	3,018	4,636	6,964	3,312	3,653	7,372	3,711	3,661
Department of Commerce	1,096	20	1,077	1,333	35	1,298	1,461	33	1,428
Dept. of Defense—Military Functions	35,533	†	35,532	34,575	†	34,575	35,547	†	35,547
Dept. of Defense—Civil Functions	646	97	548	693	91	602	715	86	629
Dept. of Health, Education & Welfare	1,994	2	1,993	2,134	2	2,132	2,305	2	2,303
Department of the Interior	548	32	515	586	29	557	643	23	616
Department of Justice	182	----	182	219	----	219	218	----	218
Department of Labor	395	1	394	460	1	459	494	2	492
Post Office Department	2,733	2,376	356	2,945	2,461	483	2,680	2,563	117
Department of State	137	----	137	154	----	154	167	----	167
Treasury Department	7,553	753	6,800	7,861	250	7,611	7,969	27	7,942
District of Columbia (general fund)	22	----	22	25	----	25	33	----	33
Reserve for contingencies	----	----	----	100	----	100	225	----	225
Total budget expenditures	$75,097	$10,527	$64,570	$74,567	$10,298	$64,270	$76,914	$11,049	$65,865

*Receipts of certain Government corporations, the postal service, and other revolving funds the receipts of which come primarily from outside the Government. These funds are listed in the respective chapters of part II as "Public enterprise funds." †Less than one-half million dollars. ‡Deduct, excess of repayments and collections over expenditures.

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President's Budget Proposals

than estimated for the fiscal year 1956.

To build our military strength effectively and efficiently, peaks and valleys in security spending and in defense production must be avoided. I want to emphasize again the importance of a sound, long-range program which does not arbitrarily assume a fixed date of maximum danger. Military planning must combine present defense with the probable needs of a long period of uncertain peace.

Department of Defense

During the past three years our defense program has been successfully reoriented to reflect the changing nature of the threat to our security, the revised requirements brought about by the end of the Korean conflict, and the increasing availability of new weapons of unprecedented strategic and tactical importance.

This reorientation has been accomplished by developing our defense program on the basis of the following policies and concepts:

(1) Gearing our defense preparations to a long period of uncertainty instead of to a succession of arbitrarily assumed dates of maximum danger.

(2) Maintaining the capability to deter a potential aggressor from attack and to blunt that attack if it comes — by a combination of immediate retaliatory power and a continental defense system of steadily increasing effectiveness.

(3) Developing military forces which minimize numbers of men by making maximum use of science and technology.

(4) Relating the number and degree of readiness of major units in the active forces to the practical limitations on the rapid deployment of major military forces from the United States immediately upon the outbreak of aggression, and relying, for the remainder, on ready reserve forces.

(5) Utilizing military personnel on active duty with maximum effectiveness so as to hold to a minimum the number of men withdrawn from work in the civilian economy.

(6) Concentrating our efforts on those forces which best complement the forces our allies are most capable of raising and supporting.

(7) Maintaining a strong and expanding peacetime industrial structure, readily convertible to the tasks of defense and war.

The readjustment of our military forces in line with these principles is providing this nation with the greatest military power in its peacetime history. My recommendations for the fiscal year 1957 continue the same basic policies and concepts.

Development and Control of Atomic Energy

We have long sought and we continue to seek, jointly with other nations, means to banish the threat of nuclear warfare which still confronts the world. Pending a trustworthy agreement, however, we must continue to increase our nuclear weapons stockpile which, together with the means of delivery, is the principal deterrent to armed aggression in the world. At the same time, we shall speed the development of the peaceful uses of atomic energy and make the resulting benefits, under appropriate controls, available to other nations for the well-being of all mankind.

So that we may further demonstrate this great promise, I recommend that the Congress take early action to authorize the construction of a nuclear-powered ship, using an atomic propulsion plant already developed, which will carry the message of "Atoms for Peace" to the ports of the world. The Atomic Energy Commission has sufficient funds available for construction and installation of the propulsion plant and machinery, and I shall request additional funds for the fiscal year 1956 for the Department of Commerce for construction of a suitable hull.

The civilian applications of nuclear energy will receive even greater attention, not only in terms of government expenditures, but also through the Commission's efforts to stimulate more participation and imvestment by private and public groups, particularly in the development of atomic power. As such participation increases, the share of power development costs financed by the government should decrease.

Great emphasis is being placed on the development of a larger variety of nuclear propulsion plants. To this end, funds are included under proposed legislation for additional developmental facilities at the National Reactor Testing Station in Idaho.

Stockpiling and Defense Production Expansion

As a result of the financial assistance provided under the Defense Production Act, substantially increased supplies of aluminum, copper, nickel, and other strategic materials are now available both for industry and for the national stockpile. To assure continued flexible authority for mobilization preparedness to meet future emergencies, I recommend extension of the Defense Production Act for two years.

An increasing number of stockpile objectives are being filled. Moreover, the high level of industrial activity has reduced the availability of some materials for stockpiling and required diversion of part of the new supply of a few materials to meet shortages in key industries. As a result, net expenditures for the stockpile and for defense production expansion are expected to decline from $713 million in the fiscal year 1956 to $378 million in 1957. No new authority to incur obligations is recommended for the fiscal year 1957, since sufficient authority is already available for continued rapid progress toward completion of established minimum objectives and for limited procurement to maintain essential elements of the mobilization base.

Strategic materials are being acquired by barter transactions with foreign suppliers.

Mutual Security Program

Through the Mutual Security Program we shall continue to work jointly with our friends and allies in building and maintaining the defensive and economic strength of the free world. This long-range program, which includes military, economic and technical assistance, is essential to our national security. Our assistance supplements the major efforts of other free nations, which themselves are bearing a large proportion of the total cost of our joint efforts.

Wherever possible, foreign currency proceeds from the sale of surplus agricultural products abroad under the Agricultural Trade and Development Act will be used to meet mutual security objectives.

About one-half of the fiscal year 1957 program will be concentrated in Korea, Pakistan, Taiwan, and Turkey. The program will provide for necessary replacements and effective maintenance of materiel furnished in past years, and will also permit the further training of existing forces. In addition, we will continue to supply basic military equipment where necessary to strengthen further defensive capabilities in the Far and Middle East. Likewise, we will continue to provide moderate amounts of equipment to help maintain certain military units of our friends in Latin America who are cooperating in the development of hemispheric defenses.

International Affairs and Finance

The international programs which I am recommending for the fiscal year 1957 will vigorously carry forward our fundamental national policy to maintain peace and help build a strong, prosperous, and unified community of free nations.

We will persist in exploring every possible means of solving the difficult problems which continue to divide the world. Meanwhile, we must further strengthen and improve the system of collective security. Moreover, it is of the utmost importance that, in cooperation with other free nations, we proceed steadily with long-range, positive programs to sustain and improve the conditions of human well-being which are necessary if peace with freedom is to endure.

To accomplish these objectives, I am proposing expenditures of $2.1 billion in the fiscal year 1957 for our international programs.

Mutual Security Program, Economic

The development of military strength as a deterrent to aggression, however, meets only a part of the challenge which faces the free world. Because the conditions of poverty and unrest in less developed areas make their people a special target of international communism, there is a need to help them achieve the economic growth and stability necessary to preserve their independence against Communist threats and enticements.

For our assistance to be as effective as possible, it must be based upon a realistic appraisal of potentialities for economic development and a careful determination of priorities among the many pressing needs in the less developed areas. My recommendations for the Mutual Security Program include funds for continuing selective loans and grants to certain less developed countries following experience gained in past years.

In furtherance of our basic foreign economic policy objective of stimulating international trade and investment, I am requesting a review of existing legislation to determine whether changes will be necessary to permit an expansion of the investment guaranty program. Under this program, private United States investors may be guaranteed against loss of their foreign investments or earnings through expropriation or inconvertibility of foreign currencies. We also need to encourage investment overseas by avoiding unfair tax duplications, and to foster foreign trade by further simplification and improvement of our customs legislation.

Export-Import Bank

The Export-Import Bank is assisting in the expansion of international trade and investment through direct loans and guaranties of private loans. Its loan and guaranty commitments are estimated at $960 million in the fiscal year 1957, an increase of $255 million over the previous year. Because of greater participation in loans by commercial banks and other sources of private capital, direct Federal disbursements in the fiscal year 1957 are estimated at less than one-third of the total new commitments. Repayments on loans made in prior years are expected to exceed disbursements from Export-Import Bank funds, thus providing estimated net receipts of $100 million. Sales of portions of the existing loan portfolio to private financial institutions may increase this return.

Veterans' Services and Benefits

The greatest portion of budget expenditures for veterans is for direct benefits, such as compensation and pensions, indemnity payments, readjustment benefits, and hospital and medical care. These direct benefit costs have been increasing. At the same time overhead costs are being reduced through improved administration.

Budget expenditures for veterans' programs are estimated to total $4.9 billion in the fiscal year 1957, $86 million more than in 1956 and $422 million more than in 1955.

We now have more than 22 million veterans. When benefits for dependents and survivors are considered, nearly one-half of our population is potentially entitled to veterans' benefits.

Labor and Welfare

The labor and welfare programs of the government contribute notably to the achievement of our objectives of greater human well-being and a growing economy. These programs are designed to promote individual opportunity and foster self-reliance by assisting in the improvement and protection of people's health, the promotion of education and research, the training and placement of workers, the rehabilitation of the disabled, and the provision of security against economic want.

Most of the labor, health, education, and welfare services are administered by the states and their subdivisions. In fact, four-fifths of the $3 billion of budget expenditures estimated for labor and welfare in the fiscal year 1957 is for grants to state and local governments. Outside the regular Federal budget, substantial benefits are provided through the social insurance and retirement trust funds.

Budget expenditures for labor and welfare in the fiscal year 1957 are estimated $228 million greater than in the current fiscal year, and $442 million higher than actual expenditures in 1955. The increase in 1957 stems largely from my proposals to strengthen and expand education, health, and research services substantially.

Labor and Manpower

Recently enacted legislation has resulted in substantial improvements in the economic safeguards for workers. Minimum wages set by Federal law have been raised from 75 cents to $1 an hour, and coverage of the Federal-state unemployment compensation system has been extended to employees of small firms and of the Federal Government. This budget provides for the enforcement and administration of these improvements.

To improve economic safeguards further, I recommend that the Congress extend the protection of the minimum wage law to additional workers. The facilities of the executive branch will be available to assist the Congress in finding ways of achieving this goal. Legislation is also needed to raise benefits and provide more funds for rehabilitation under the Federally administered Longshoremen's and Harbor Workers' Compensation Act. In addition, a system of benefits for workers who are temporarily disabled from nonoccupational causes should be established in the District of Columbia. This budget also provides for studies by the Department of Labor to assist the states in improving their workmen's compensation laws.

The current high level of general prosperity spotlights the adverse economic plight of low-income rural areas and of urban areas with persistent unemployment. As part of government-wide efforts to alleviate these problems, additional work will be done in the labor and manpower field. This will include the designation of areas eligible for special assistance, the provision of labor market information, and vocational advice for individuals.

The 1957 budget recommendations for grants for administration of the employment services and unemployment insurance provide for stepping up job counseling and testing in the public employment offices.

During the current year significant improvements were authorized in our labor and manpower statistics programs. This budget provides, at minor additional cost, for further improvements, particularly in the consumer price index and in reports on labor turnover and current employment.

Public Assistance and Old-Age and Survivors Insurance

Grants to the states for old-age assistance and aid to dependent children, the blind, and the totally disabled are estimated at $1.5 billion in the fiscal year 1957, the largest expenditure item in the welfare category of the Federal budget.

Our welfare policies have a twofold emphasis: To provide basic economic protection for older people and for widowed mothers and children through self-sustaining social insurance; and, where possible, to prevent need as well as to relieve it. My budget recommendations for both existing and proposed programs reflect this emphasis.

The Federal Government should also do more to assist the states to adopt preventive measures which will reduce need and increase self-help among those who depend upon public welfare. Likewise, special provision should be made for improving medical care of public assistance recipients through legislation to permit separate Federal matching of state and local expenditures for this purpose.

Promotion of Public Health

One of the most important goals of this Administration is to assure continued progress in research, training, and provision of health facilities so that the medical professions can help the American people to enjoy better health. To this end I am proposing a substantial, yet orderly, expansion of our existing health services and new measures necessary to fill significant gaps in the nation's programs for promoting good health.

I again urge the Congress to act favorably and promptly on recommendations made last year to provide mortgage insurance for the construction of health facilities, to train health personnel, to expand mental health programs, to abate water pollution and to strengthen state and local public health services.

In addition, provision should be made to assist the extension and improvement of health insurance protection for our people. The Congress has taken no action on my legislative proposals to meet these objectives. The Secretary of Health, Education, and Welfare is working on plans whereby private insurance organizations generally may pool risks to cover abnormal losses possible under broader health plans, and, if necessary, appropriate permissive legislation will be recommended. Should this approach not be successful, a Federal reinsurance service should receive renewed consideration.

Promotion of Education

The educational problems of the nation are acute. School enrollments are growing. Classrooms are overcrowded. We do not have enough teachers.

Americans are demonstrating their increased concern with these problems by working together now, more than ever, in parent-teacher organizations and other citizen groups. Members of these groups—many of which participated in the recent White House Conference on Education — have stressed the need for measures by all levels of government to improve our schools.

As a principle of our governmental system, we believe in state and local responsibility for public education. This means not only local direction of public schools but also local financial support augmented by the states. States and communities have made definite progress toward meeting our educational problems. They are reducing the classroom shortage by building an increasing number of schools each year. But we still lack more than 200,000 classrooms. In order to increase further the number of new buildings completed over the next five years, I propose that the Federal Government supplement the current efforts of the states and their subdivisions in financing public school construction.

General-Purpose Research, Libraries, and Museums

Because of the direct importance of basic research to our defense program and our national welfare and economic progress, this budget proposes a substantial increase in Federal support of general-purpose research and education in the sciences. This increase is considered by our national security and scientific research agencies to be vitally necessary. Even with this added support, basic research will constitute less than 10% of the government's annual investment in research and development.

For the Bureau of the Census, I am recommending appropriations for collecting needed data on two important aspects of our national life. The census of governments will provide, for the first time since 1942, comprehensive financial information about the more than 100,000 state and local government units. The national housing inventory will measure the significant changes in the nation's housing supply which have taken place since 1950. Expenditures for the Census Bureau as a whole will decline, however, as work on the current censuses of agriculture, business, manufactures, and mineral industries draws to a conclusion.

Other Welfare Services

The school lunch program is supported with surplus commodities as well as by regular appropriations. Increased efforts in the removal of agricultural surpluses are expected to result in a greater distribution of such foods to schools, reaching an estimated value of up to $130 million in the current fiscal year.

This nation still has hundreds of thousands of disabled citizens who should be restored to productive employment and thereby helped to achieve economic independence. This budget continues full support of the expanded state-Federal vocational rehabilitation program at a rate which will permit the states to continue enlarging their rehabilitation services as rapidly as their own funds permit.

Agriculture and Agricultural Resources

This budget carries forward the broad agricultural objectives that we have been striving to achieve through new legislation, redirection of emphasis, and improved administration during the past three years. It provides for the strengthened agricultural program which I proposed in my recent special message to the Congress.

Thus, this budget permits an intensification of our efforts to aid farmers in making the difficult readjustment from the abnormal situation of the war and postwar period to a realistic peacetime outlook for markets, so that they may share more equitably in the prosperity which other sectors of the economy are now enjoying. It also provides for continued emphasis on research and educational activities and on soil and water conservation, and for an enlarged program to help low-income farmers improve their situation.

In addition to reducing production of surplus crops and shifting land to more desirable uses, it will aid farmers in financing the transition to a farming pattern appropriate for today's markets.

I am also recommending new legislation to permit refunds to farmers of Federal taxes on gasoline used in their farm operations. It is estimated that tax refunds to farmers under this legislation will amount to $60 million in 1957.

Stabilization of Farm Prices and Farm Income

Programs to stabilize farm prices and farm income account for over 60% of the estimated gross budget expenditures for agriculture and agricultural resources in the fiscal year 1957. The principal part of these expenditures is for the price support operations of the Commodity Credit Corporation. Gross expenditures for these operations, reflecting new price support loans and purchases of commodities during the year, are estimated at $5.1 billion.

Government support of farm prices above world prices under programs which were attuned to war and were too long continued has been a major cause of the present accumulation of farm surpluses. These now overhang the market and create uncertainty and great concern on the part of the producers. World War II, with its terrible losses and destruction, enabled the liquidation of prewar surpluses, and the Korean conflict helped to liquidate those that accumulated after the end of World War II. But the sharp rise of world prices during these war periods, together with our high rigid price supports, encouraged expansion of production throughout the world.

The chief domestic beneficiaries of our price support policies in the past have been the two million large highly mechanized farming units representing about 25% of our farms but producing about 85% of our agricultural products. Under the price support program that has been functioning, the greater proportion of the dollars go to the largest producers; in the case of wheat, for example, approximately three-fourths of the loan dollars go to one-third of the borrowers. Individual cotton loans in excess of one million dollars have been made.

As a nation, we have in the past and, if necessary, will in the future provide substantial sums of money as a part of our efforts to have farmers share more fully in the prosperity of the country. But farmers know that government money alone will not do the job. Furthermore, farmers do not want to be dependent on government assistance. They want the opportunity to obtain a better living standard for their families through their own efforts. The government's responsibility is to help create the conditions in which farmers can have this opportunity.

The International Wheat Agreement, a multilateral agreement between wheat importing and wheat exporting countries of which the United States is a member, expires on July 31, 1956. The desirability of extending this agreement is under study and a determination will be made at a later date. This budget assumes that wheat exports during the 1956-57 marketing year will total about 275 million bushels and that most of this wheat will move at world prices under federally assisted programs.

Expenditures under the permanent appropriation for the disposal of surplus agricultural commodities are expected to be substantially higher in the fiscal years 1956 and 1957 than in 1955, consistent with our determination to stand ready with purchase programs to remove temporary market gluts whenever serious ones occur, and to utilize effectively the surplus commodities acquired.

Rural Electrification, Rural Telephones and Farm Credit

The budget recommendations for the Rural Electrification Administration represent a continuation of our policy of making loans available to meet the farmers' needs for electrification and telephones. It also provides for approval of loans for rural telephones in the amount of $80 million, the same as for 1956, and $27 million higher than for 1955. Disbursements on loans and expenditures for administration for both programs are estimated at $239 million, $16 more than in 1956.

The total of Farmers' Home Administration direct and insured loans is expected to approach $260 million in 1957 as compared with $193 million in 1955. A substantial part of this expansion is in insured private loans, which are not reflected in budget expenditures. Legislation will be proposed to broaden the authority under the Bankhead-Jones Farm Tenant Act to permit the Farmers' Home Administration to make certain loans for farm housing previously possible only under Title V of the Housing Act of 1949, as amended. With this change, further extension of the authority for farm housing loans under Title V beyond its present termination date of June 30, 1956, will not be necessary.

Consistent with our policy of withdrawing the Federal Government from activities that can more properly be carried on privately, legislation was recommended and enacted last year providing for systematic retirement of the Federal investment in the banks for cooperatives which are supervised by the Farm Credit Administration. Although the effect of this legislation on the budget will be small, it is expected that farmers through their cooperatives will be able to acquire, over a period of years, the present equity of the Federal Government in these credit institutions.

Natural Resources

Resource development is the responsibility of everyone. In many cases State, local, and private groups can best carry out needed programs themselves. In other cases, Federal participation is the necessary element in accomplishing broad national aims, where projects are beyond the means or needs of local groups. Under the partnership policy of this administration, emphasis is placed on sharing the cost of projects with the groups which receive direct benefits from them. This approach serves to multiply the effect of Federal expenditures in the stimulation of conservation and development. The recommendations in this budget will result in further advances toward our broad goal of a steadily growing program for resource development through the cooperative efforts of States, local communities, private citizens and the Federal Government.

The importance of the partnership policy in the development of water resources is being emphasized in a report of the Advisory Committee on Water Resources Policy. This report will also stress the need for strengthening our procedure for the formulation and review of proposed water resources projects. Some of the Advisory Committee's recommendations will require changes in existing law, and specific legislative proposals will be transmitted to the Congress.

Land and Water Resources

The policies underlying recommendations for water and related land resources in this and other sections of the budget are intended to help provide an adequate water supply for our people in the years to come and to aid in checking destructive forces of water, as well as to achieve the benefits for navigation, fish and wildlife conservation, and recreation resulting from the proper development of these resources.

A large share of the net expenditures of $690 million for land and water resources in 1957 will be for continuation or completion of construction on water resources projects of the Corps of Engineers and Bureau of Reclamation, and for maintenance and operation of existing facilities.

I also hope that the Congress will complete action to authorize a new survey to determine whether hydroelectric power can be economically developed from the tides at Passamaquoddy Bay in Maine, and have included $1 million under proposed legislation to begin this survey in the fiscal year 1957.

The Bonneville Power Administration will continue construction of transmission lines based on power generation schedules for Federal dams under construction in the Pacific Northwest. Expenditures of the Southeastern and Southwestern Power Administrations will be for operation and maintenance of transmission systems and for marketing power.

The Tennessee Valley Authority will continue work in the fiscal year 1957 on steam-electric generation units started in 1955 and prior years, under previous appropriations.

Since nearly all major hydroelectric sites in the Tennessee Valley have now been developed, an additional steam-electric unit at the John Sevier plant and two additional units at the Johnsonville plant will be needed to meet currently anticipated power loads through the calendar year 1958. There is pending before the Congress legislation which the administration has proposed for financing steam-power facilities of the TVA through the sale of revenue bonds. So that the work may begin promptly, a starting supplemental appropriation for 1956 is recommended for the Sevier unit. Items are included in the budget to finance the continuation of this work and initiate construction of the Johnsonville units in 1957 with the proceeds of the revenue bonds.

When these new units are completed, the Tennessee Valley Authority will have a capacity of 6.7 million kilowatts in its steam-electric plants and 2.7 million kilowatts in its hydroelectric plants.

Construction will also begin in the fiscal year 1957 on a new navigation lock at Wilson Dam. The present locks are structurally weak and inadequate to handle growing traffic demands. The construction will be financed from appropriated funds. The TVA will also continue work in the development of the resources of the region in cooperation with state and local agencies.

Mineral Resources

This budget gives recognition to the recommendations of the Cabinet Committee on Minerals Policy. The Bureau of Mines and the Geological Survey will expand investigations and research directed toward discovery of additional sources of essential minerals, improvement of mining techniques, and better utilization of mineral supplies. Funds are provided for the Office of Minerals Mobilization to continue to develop and evaluate supply data for metals and minerals so that adequate supplies and production facilities will be assured for our national security and economic growth.

Commerce and Housing

The major role of commerce and housing programs is to encourage economic growth and the development of private enterprise and local communities.

Toward this goal, I am proposing both legislative action and increased appropriations to improve and expand our basic transportation facilities, especially the Interstate Highway System, the Federal airway system, the Federally operated waterways and navigation aids and the merchant fleet.

Similarly, to assure continued high levels of residential construction we shall encourage private financing primarily through the use of Government guaranties, insurance and other aids. As in the past, direct Government expenditures will be confined to meeting those housing and community needs which cannot be financed by private enterprise alone. Accordingly, to stimulate balanced development of local communities, this budget makes further proposals for removal and prevention of slums, for housing for minority groups and for older people, and for other special community needs. It also provides for new measures to aid local communities with persistent unemployment in discovering a sound basis for redevelopment, and to help victims of future flood disasters rehabilitate themselves.

Highways

The Federal Government has a special interest in completing as early as possible the 40,000 miles of the Interstate Highway System, which connects major centers of population and industry.

I consider it essential that construction of the interstate system be fully authorized now as a single integrated program in order that it may be accomplished over a period of approximately 10 years with the greatest economy. I am confident that the expanded program can be soundly financed so as not to create budget deficits.

Pending final determination of the amounts involved for the Interstate Highway System, therefore, the dollar estimates include in this budget under proposed legislation cover only the continuance of the present annual level of $875 million in authorization for Federal-aid highways including $175 million exclusively for the interstate system. The budget also includes $22.5 million for forest highway, continuing the present level.

Promotion of Aviation

During the past five years, the rapidly expanding use of the Federal airway system and the increasing speeds of both conventionally powered planes and military jet aircraft have produced serious traffic congestion. To maintain our high standards of safety, aircraft have had to be delayed or flights canceled, with a resulting heavy cost in time and money to both the operators and users of the planes.

As a step in meeting the immediate problem, I am recommending new authority to incur obligations of $40 million in 1957. This will enable the Department of Commerce to expand further the capacity of the present airway system by installing greatly improved air navigation and traffic control facilities.

To keep pace with further advances in aviation, I shall shortly initiate a comprehensive study of the nation's long-range needs for aviation facilities.

In addition to the expenditures to expand the capacity of the airway system, expenditures for operating the present airway system must rise substantialy to handle the expanding traffic, to operate new facilities provided under ear-

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President's Budget Proposals

lier appropriations, and to take over from the Department of Defense the costs of operating certain radar installations serving common military-civilian needs. Federal grants to help local communities build airports are also increasing as a result of the legislation enacted last year. In total, expenditures of the Civil Aeronautics Administration will rise by an estimated $50 million to $200 million in the fiscal year 1957.

Subsidy payments by the Civil Aeronautics Board to commercial airlines will again be reduced in the fiscal year 1957 as a result of rising profits of the carriers and continued vigilance of the Board in keeping subsidy rates at the lowest possible level.

Promotion of Water Transportation

The Department of Commerce and the shipping industry have begun systematic replacement of the merchant fleet built during World War II. Negotiations are now under way with the operators to advance their ship construction plans and to determine replacement schedules for the next 15 to 20 years. Three long-term contracts have already been signed. The program is designed to (1) assure a modern merchant fleet adequate for commercial and defense needs, (2) maintain the shipyard employment and facilities which are essential to our mobilization base, and (3) minimize construction costs by avoiding peak demands. As next year's installment, I am recommending the funds necessary for construction subsidies and defense allowances for 22 new ships, as well as trade-in allowances for the ships replaced. In addition, this budget proposes appropriations for the design and construction of two new types of cargo ships—types which could be produced cheaply and in quantity in event of mobilization.

I am renewing for the fiscal year 1956 my earlier recommendation for a supplemental appropriation of $13 million for the Commerce Department's share of a nuclear-powered peace ship, to be built jointly with the Atomic Energy Commission. Moreover, funds are included in the budget for a nuclear-powered merchant ship, to be built over a longer period, incorporating experience gained from the peace ship and from later research and development.

To finance construction of both conventional and nuclear-powered ships, I am recommending new authority to incur obligations for the Department of Commerce of $165 million in the fiscal year 1957. Operating subsidy payments of $124 million in 1957 are estimated to cover the differences in selected costs between operating American-flag and foreign ships.

Postal Service

The Post Office Department cannot be self-sustaining if it pays salaries, transportation rates, and other costs based upon 1956 conditions, but must continue to charge rates which were largely determined before Pearl Harbor. Legislation is again being proposed that would initially increase postal revenues by $350 million a year. Legislation is also being proposed to pay the Department for services to certain groups which it is now required to perform either free or at greatly reduced rates.

Community Development and Facilities

The great population growth in the past 15 years and the accompanying shifts — from farms to cities, from rural communities to metropolitan areas, and from central cities to suburbs—have accelerated the decay of large sections of our major cities, and caused many metropolitan areas and small towns to outgrow their basic facilities.

With the help of Federal grants and loans for slum clearance and urban renewal, major progress in removing urban blight is in sight for the first time. By the end of the fiscal year 1957, an estimated 233 communities will have workable plans providing for a wide range of local actions needed to prevent or eliminate slums. Such plans are now required as a condition of Federal assistance for urban renewal. In these and other cities 49 specific projects will have been completed by the end of 1957; 237 other redevelopment projects will be actively under way; and 112 projects will be in the planning stage. Net expenditures, chiefly for grants and loans, will increase to $74 million; these include the additional grants for community planning by metropolitan areas and smaller cities under legislation that will be proposed to increase the present limited program.

Substantial increases are also expected in the fiscal year 1957 in loans to small communities for building public facilities and in advances to local governments for planning public works. Additional appropriations for planning advances are recommended for 1957.

As part of the new program to assist in the industrial redevelopment of chronic labor surplus areas, I am proposing revisions in the present urban renewal and other community facilities legislation. The main emphasis in these programs, however, should continue to be improvement of the homes and living environment of our families.

Public Housing

Continued Federal assistance for low-rent public housing will be necessary in 1957 to meet the most critical needs of low-income families. An increasing number of such families will be displaced by the clearance of slums and by the enforcement of housing codes under the growing urban renewal program. I am, consequently, recommending that the Public Housing Administration be authorized to enter into annual contributions contracts with local housing authorities for an additional 35,000 dwelling units a year for two years. In addition, I urge that the Congress restore the provisions of the Housing Act of 1954, repealed in 1955, which limited new public housing to communities with workable programs for the prevention and elimination of slums, or with slum clearance projects under way.

As the number of older people in our population has increased, action to meet their special housing needs has become highly important. Several administrative steps have already been taken in the public housing program. In addition, legal restrictions on admission to public housing projects should be amended to provide a limited preference to elderly low-income families, as well as to permit admission of elderly single persons.

Gross expenditures for public housing programs, chiefly for construction loans and payment of annual contributions to local housing authorities, are estimated at $598 million in 1957. Receipts, mostly from private refinancing of Federal loans, are estimated at $515 million, leaving net expenditures of $83 million.

Other Aids to Housing

Applications for insurance of mortgages and home improvement loans by the Federal Housing Administration under its regular programs are expected to continue in the fiscal years 1956 and 1957 close to the 1955 levels. In addition, applications for the special urban renewal mortgage insurance authorized by the Housing Act of 1954 are expected to rise from less than 2,000 units in 1955 to 75,000 units in 1957.

To make this full program possible, legislation will be required to increase the present mortgage insurance authority.

The Federal National Mortgage Association will make commitments for immediate or deferred purchases of $423 million in mortgages insured under the urban renewal, armed services, cooperative, and other especially urgent housing programs which I have specifically designated. Sales of mortgages together with repayments and other receipts, however, are expected to be $256 million greater than expenditures.

In addition, purchases of mortgages by the Association under its secondary market program are expected to increase in 1957 to $290 million. Except for temporary Treasury loans, the funds required will be obtained from sale of debentures and stock to private investors, and the purchases are shown as trust expenditures, rather than budget expenditures. By the end of the fiscal year 1957, private purchases of stock will have made an excellent start toward the goal of replacing a government activity with a private company.

One of the most successful measures authorized by the Housing Act of 1954 is the Voluntary Home Mortgage Credit Program. Under this program, applications to the Veterans Administration for direct loans and to the Federal National Mortgage Association for mortgage purchases are referred to private lenders. This program has already made conspicuous achievements in encouraging private financing of housing for members of minority groups and other borrowers in credit-short areas. Moreover, the rapidly increasing volume of veterans housing mortgages placed privately has made it unnecessary to use a large part of the additional authority provided for direct housing loans. Net expenditures for the veterans loan program, consequently, are expected to show only a minor increase to $71 million in the fiscal year 1957.

Other Aids to Business—Present Programs

Through the Small Business Administration, we shall continue to help small business concerns obtain access to adequate financing, to a fair share of government procurement, and to competent counsel on management, production, and marketing problems.

I also recommend improvements in construction statistics so that more accurate data can be supplied to business, labor, and government on major changes in this vital industry.

Area Redevelopment

All of us are greatly concerned because certain chronic labor surplus areas are not sharing in our general prosperity. The primary responsibility for promoting the economic redevelopment of these areas rests with the local community and the states. However, I believe that the Federal Government should give much broader assistance than is possible under present law.

Regulation of Commerce and Finance

As our economy grows and becomes more complex, the responsibilities of Federal agencies regulating business also increase. While the amount of money required to finance these agencies is relatively small, their influence on economic growth is very significant. In this budget I am recommending increased appropriations to strengthen every major regulatory program, including specific increases to (1) triple the staff of the Federal Trade Commission charged with enforcing controls over corporate mergers; (2) assure effective review by the Department of Justice of possible antitrust aspects of the newly authorized interstate compacts for the conservation of oil and gas; (3) provide for more adequate review by the Securities and Exchange Commission of the vast new capital offerings and the increased trading in securities; and (4) improve enforcement by the Interstate Commerce Commission of motor carrier regulations and assure better compliance with safety regulations.

To continue the export controls necessary for our national security, the existing legislation should be extended.

Disaster Insurance, Loans, and Relief

The flood disasters during the past year in the Northeastern States, the Far West, and other areas have shown the urgent need for increased assistance to the victims of floods. Since private insurance is not generally available, legislation should be enacted authorizing, on an experimental basis, an indemnity and reinsurance program, under which the financial burden resulting from flood damage would be carried jointly by the individuals protected, the states, and the Federal Government.

Federal Financial Management

I urge that the Congress enact pending legislation to reduce the frequency of information returns submitted by employers withholding income and social security taxes. This legislation will simplify tax procedures for both the Government and the employers, and will also provide a basis for stronger enforcement of the tax laws.

Interest

Interest payments now account for about 11% of net budget expenditures. They are determined by the size of the public debt and by interest rates on that debt. They are included in budget expenditures as they accrue. Interest is paid from permanent appropriations.

Interest on the Public Debt

Interest payments on the public debt in the fiscal year 1957 are estimated at $7 billion. This is an increase of $200 million over estimated expenditures for the current fiscal year and $630 million above actual expenditures in 1955.

The high level of prosperity has created a heavy demand for credit by private enterprises. As a result the average rate payable on the interest-bearing public debt has risen during the last 12 months from 2.29% to 2.49% at present, and maturing obligations are being refinanced at the higher rates prevailing in the money market.

The Administration is recommending legislation so that the interest paid to the Federal old-age and survivors insurance trust fund will reflect more closely the long-term character of investments by that fund.

Conclusion

This is the third budget I have transmitted to the Congress.

As a result of the substantial reductions in Government expenditures made by the Administration subsequent to assuming office, I noted in the first of these three budgets—for the fiscal year 1955—that a budget surplus was actually in sight. However, so that part of our savings through economies during that transitional period could be passed along to the taxpayers of the nation as a whole, with beneficial effects for the growth of our economy, I stated that I believed it best "to adopt a course leading toward the twin goals of a balanced budget and tax reductions."

Tax reduction was thus achieved with the Administration's first budget, which made possible a $7.4-billion tax reduction program, enabling us to make progress of historic dimensions in reducing tax burdens and improving the tax structure.

A balanced budget is now being achieved in the Administration's second and third budgets, both of which we now estimate will be brought into balance.

This course of Government policy has helped to lay a sound basis for the greatest volume of business, the highest employment, and the highest national income in the history of this country. As an essential element in this prosperity, private spending has more than replaced reductions in Federal spending. Federal expenditures have declined from 20.6% of total national production in the fiscal year 1953 to 17.3% in 1955. This budget is designed to continue that trend.

We have freed the economy from needless controls and from inflationary deficits, and have reduced the tax burdens which threatened to destroy the incentives to work and save and invest. State and local governments are now in an excellent position to obtain revenues and meet their responsibilities.

This budget carries forward the policies this Administration has been following in the interest of all our 167 million Americans. The success of our country depends not upon centralized Government control, but upon the efforts of all our people to do more for themselves, to better themselves, their families, and communities. The role of Government is to encourage these efforts.

Some parts of our society, however, have not shared fully in the present prosperity of America. This budget provides for new steps to help create the conditions under which all Americans may share in the abundance we as a nation are enjoying.

There has also been developed an armed strength more efficient and better organized than ever before, and we shall continue building our defenses. We have started a worldwide, cooperative effort for peaceful uses of atomic energy which is already beginning to show results. We have worked with other free countries on a mutual basis to increase their economic and military strength and will continue to work with them. Our future prosperity, perhaps our very survival, will be linked with the strength of our allies and in the development of good will rather than fear and distrust among the nations.

This Nation has reached a new high of material prosperity. The rest of the free world has come to expect our leadership in co-operative efforts for peace and in defense of our common liberties. We should be very thankful for the resources of this country, for the efforts and accomplishments of our forebears. We should also be very humble. America must continue to be the land of faith, of promise, and of unbounded opportunity. There is much yet to do. With God's help, we will all go forward.

DWIGHT D. EISENHOWER.
Jan. 16, 1956.

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The Outlook for Banking, Credit Demand and Interest Rates

tax purposes next March and June are expected to be as large or larger than in 1955. These factors should tend to support the volume of business loans in the early part of the year and should moderate the seasonal decline in the second quarter. On the other hand, sales finance companies, for instance, which were large borrowers in 1955, should use significantly less credit in 1956. Also, substantial repayments are anticipated this year on the mortgage warehousing loans and other advances of bank credit which were made to help meet the shortage of mortgage money in 1955. Furthermore, an easing of business in the course of the year would assuredly lead to smaller requirements for bank loans. On balance, therefore, present signs point to a further increase in total bank loans in 1956, but of considerably smaller proportions than in the prior year.

Meeting Loan Demands—Building upon the assumption of a smaller increase in bank loans in 1956, one may venture the further guess that commercial banks will be under considerably less pressure to reduce Government security portfolios than in 1955. To meet last year's loan demands, banks liquidated an estimated $7 billion of short- and medium-term Government obligations. The buyers were, to an important extent, business corporations seeking temporary investment outlets for large amounts of cash generated by rising profits, lags in income tax payments, and mounting depreciation charges. Also, the proceeds of cash accumulated through corporate and public long-term offerings frequently sought temporary investment in Government obligations while awaiting disbursement, and some corporate holders of bank deposits, attracted by rising short-term rates, shifted to Treasury securities.

The environment at the start of 1956 suggests that a repetition of the large unloading of Governments by commercial banks is hardly likely this year. Not only will the banks probably add smaller amounts to their loan portfolios but—if these guesses are well-founded—deposits are likely to average moderately above 1955. Moreover, the prospective tapering off in business activity and the lesser increase in loan demands justify the assumption that credit conditions and, therefore, bank reserve positions in 1956 may not remain as consistently tight as in 1955. Thus, the commercial banks should not find themselves as strapped for funds as in the past year.

Treasury Financing Requirements

At the same time that demands for bank loans may be expected to moderate their growth, the Treasury's financing requirements are also likely to be smaller. The budget outlook for the calendar year 1956 is favorable, and while much will depend upon Congressional action on tax cuts and expenditure programs, it seems a reasonable guess that the Treasury will have a cash surplus of $3 billion or more. Thus, some net reduction in the Treasury's marketable debt is in prospect for 1956. However, because of the concentration of tax receipts in the early part of the year, temporary financing, presumably through tax anticipation securities, will still be necessary in the second half of 1956. And since business corporations, because of accelerating tax payments, are likely to be less eager buyers of governments than in 1955, substantial bank credit will still be required to place new Treasury issues.

Refunding the Debt—Moreover, the Treasury in 1956 faces the task of refinancing some $33 billion of maturing obligations, exclusive of bills and tax anticipation certificates. The aim of the Treasury, ever since the Administration assumed office three years ago, has been to achieve a lengthening of debt maturities and some redistribution of debt ownership. Debt management policy has, however, been flexible and has adapted itself to changes in business and credit conditions. When business was slack and credit easy—from mid-1953 through 1954—the Treasury was content to lengthen the commercial bank portfolios of government securities through offerings of medium-term securities; as the economy advanced, the Treasury in February and July 1955 offered the long-term 3s; but later in the year, as money and credit markets tightened appreciably, Treasury financing was limited to short-term obligations.

Policies for 1956—It is reasonable to assume that the Treasury in the year ahead will continue to tailor its financing to developments in the economy and in the credit markets, which makes another modest offering of long-term government bonds a possibility. Over the near term, the outlook is for a continuing high and perhaps moderately rising level of business. In addition, the experience of 1955 demonstrates that there is a small but continuing demand for long-term government securities even in the face of a record rate of private investment activity. Some investors are still limited by law to United States Government obligations; others, for various reasons, cannot shift funds rapidly and readily into such higher-yielding investment outlets as real estate mortgages. Finally, the yield spread between corporate and government bonds is still quite narrow and the volume of new long-term corporate financing is not expected to show much, if any, increase in 1956.

Thus the Treasury may find it feasible to offer additional long-term bonds in 1956, but prospective demands will probably be fairly modest, as they were last year, when the total amount of such securities issued was $2.7 billion. Even a moderate sag in the rate of economic activity later in the year need not alter this outlook. A fairly consistent policy of some long-term Treasury financing in periods of economic contraction as well as expansion would not only be desirable but could assuredly be achieved in flexible fashion without unsettling either the investment markets or the course of business.

Meanwhile, as long as business continues active, conditions are not likely to be conducive to the type of debt management followed in 1954, which involved the sale of large amounts of medium-term obligations to the commercial banks. The banks, at least for some months to come, are not expected to be in a position to add significantly to their holdings of government obligations, nor is their liquidity position in general such as to encourage a stretching out of their maturities in the near future. Obviously, this situation could change fairly rapidly if business should show signs of weakening and the Federal Reserve authorities should adopt a policy of easier credit.

Federal Reserve Policy

All things considered, it is credit policy which will ultimately determine whether our conjectures regarding banking conditions in 1956 will come reasonably close to the mark or will prove to be wide misses. Through their powers over reserve requirements, discount rates and open market operations, the Federal Reserve authorities have it in hand to determine the cost and availability of bank reserves and, within broad limits, the volume of member bank borrowings and the level of earning assets and deposits for the banking system as a whole.

Tightening of Credit—Current credit conditions reflect policies followed since the latter part of 1954, shortly after the economy had begun to signal an upturn. However, Federal Reserve policy went through several stages, according to underlying economic conditions.

In the first phase, through early 1955, there was still some slack in the economy, and the Federal Reserve did not actually apply credit restraint, but prepared the ground for such action by absorbing, through open market operations, the existing abundance of free reserves. This was at a time when unemployment still stood at about 5% of the labor force and the price index was stable.

The "getting ready" phase of the program was about completed last March and was followed by a period which may be described as "watchful waiting." To signal caution, the discount rate was raised in April, but the money market was not otherwise tightened; in fact, some easing of the market was apparent in the second quarter. In retrospect, the authorities probably proceeded too gingerly in this period, but it must be admitted that some uncertainty still prevailed as to the vigor and momentum of the business recovery.

By about mid-1955, however, the business outlook had come into sharper focus. It had become clear that the rising trend of activity was firmly rooted; past production records were falling, employment was soaring, credit was expanding rapidly, and business sentiment was waxing ebullient. Some materials were growing scarce, and the familiar wage-cost-price spiral was starting to take hold. In concert, these developments eliminated any remaining uncertainty regarding the diagnosis of business prospects, and the Federal Reserve shifted to a policy of progressive restraint. Discount rates were raised several times within a four-month period, and open market operations were conducted so as to put the money market under growing pressure; member bank borrowings increased rather steadily and free reserves turned negative, with the deficiency in free reserves at times reaching fairly large amounts. This phase of progressive credit restraint has continued up to the present.

The Reserve authorities have not attempted to gaze very far into an unknown future, but have taken their cues from an appraisal of current developments and reasonably assured near-term expectations. On balance, we may conclude that credit policy is likely to continue to be changed concurrently with, or shortly after, the evidence indicates a change in business conditions. In fairness, we cannot expect credit policy to lead the business trend to an undue extent. Business forecasting is a hazardous undertaking, and the economic consequences of an ill-timed shift in credit policy could be heavy indeed. This lesson has a bearing upon the outlook for the year ahead.

Restraint At Its Peak—Perhaps the immediate conclusion to be derived from the record of 1955 is that should inflationary pressures persist, credit continue to expand rapidly, and inventory speculation or the like become widespread, further credit tightening would surely be in the cards. However, as already observed, the recent easing in demands for housing and automobiles appears to have mitigated the near-term danger of an inflationary blowout and, at the same time, the odds seem to favor a tapering off in the recent rapid growth of credit. And while some weakness in this or that sector of a still expanding economy should not be expected to usher in a renewal of easy credit, the Federal Reserve, in its continuous watch over the economy, will certainly give due weight to any evidence that inflationary pressures are slackening and that credit expansion is moderating. In fact, it seems permissible to guess that the authorities, if satisfied that pressures upon business and credit are easing and the rate of business expansion is slowing down, will refrain from restricting credit any further, at least for the time being, especially since the Treasury will be simultaneously siphoning funds from the economy as the result of a cash surplus in its budget operations.

If this line of reasoning has substance, the near-term outlook is for continuing fairly tight conditions in the money market but against another round of increases in the discount rate. Moreover, should economic activity lose some of its steam and begin to sag, it is fair to assume that credit restraint will be relaxed quite promptly, and more swiftly than it was applied in 1955. An easing of credit would be accomplished in the first phase through open market operations; only when the authorities are fairly certain that the inflationary danger has abated are they likely to signal the change by reducing the discount rate. A pursuit of easy credit to the point of reducing member bank reserve requirements seems fairly unlikely in 1956, at least as far as can be gleaned at this time.

Supporting the Treasury—Whatever specific course the Federal Reserve authorities may follow in 1956, it is fairly safe to assume that their policy decisions will continue to be guided by the condition of the economy rather than by the financing requirements of the Treasury. It is necessary to stress this point because of questions raised by the recent action of the Federal Reserve in purchasing some $170 million of Treasury certificates on a when-issued basis in order to assist the Treasury's December refinancing operation. This action represented a conspicuous departure from the practice, established for several years, of limiting open market operations to transactions in Treasury bills and refraining from dealing in when-issued securities. However, it did not represent a departure from the more fundamental principle of letting Treasury offerings meet the test of the market: the pricing of the Treasury's exchange offering in December was in line with conditions in the market, and the intervention of the Federal Reserve was the result, primarily, of exceptionally large needs for cash on the part of holders of maturing securities.

This development serves as a useful reminder that the policy directives of the Open Market Committee are not inflexible. In 1956, however, Treasury bills are likely to remain the principal medium for open market operations, and credit policy, save for exceptional circumstances, is likely to continue to be determined by economic trends rather than by the requirements of Treasury financing—requirements which, moreover, are expected to be significantly smaller than for many a year.

The Outlook for Interest Rates

Having reviewed the major factors likely to influence credit conditions in the year ahead, it now remains to draw some conclusions regarding the prospects for interest rates. This is perhaps the most thankless task of all, since even small shifts of demand or supply in the highly complex markets for long- and short-term funds may lead to far-reaching fluctuations in rates; moreover, market psychology remains a potent but unpredictable force.

Bond Yields—The crucial role of market psychology is aptly demonstrated by the recent behavior of bond prices—Governments, corporates and municipals—compared with developments in 1953. In that year, it will be recalled, widespread fears of drastic credit restraint contributed to a near-route in the bond market, whereas in 1955, the market displayed impressive stability, even though credit restraint was being pursued more energetically than in 1953. In fact, increases in long-term yields in 1955 have been quite moderate, which is all the more surprising in view of the large demands for investment funds, especially real estate mortgage money, and the failure of new savings to keep pace with these demands in the aggregate.

Admittedly, some of the pressure in 1955 was transferred from the investment market to the commercial banking system through warehousing of mortgages and short-term loans to finance mortgage lending. Also, some of the strain upon the market was reduced by the fact that new issues of long-term marketable securities by corporate borrowers and state and local governments were less than in 1954. On balance, however, the steady undertone of the bond market in the face of rapidly rising short-term rates must be explained by the continuing belief that a repetition of the 1953 credit squeeze would be averted and tight credit would not persist for any great length of time. Supporting evidence is provided by the fact that the flood of anticipatory borrowing that plagued the market in the first half of 1953 was conspicuously absent.

This demonstrated resistance of bond yields to upward pressures would seem to argue against any substantial increases in yields in 1956. In fact, expectations are for somewhat lower demands for investment funds in the year ahead, on balance because of a smaller net increase in real estate mortgages. At the same time, the flow of funds through major savings institutions should show another increase in 1956. Thus, the demand-supply situation in the long-term credit markets, as far as it is visible at this point, suggests that the rise in bond yields in this business upturn has been generally completed, and that fluctuations for some time ahead will be limited to a fairly narrow range. However, it is difficult to foresee any strong and sustained firming of bond prices for the time being since investment demands, even if below the 1955 peak, are still likely to be very heavy; moreover, long-term yields are relatively low in comparison with money market rates.

The Money Market—The fact that important money market rates today are around their highest levels since the early 1930's has been widely publicized. As a matter of fact, this is less spectacular than it sounds when we consider that after more than a year of booming business and a fairly aggressive policy of credit restraint, money rates are about

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The Outlook for Banking, Credit Demand and Interest Rates

where they were when the economy, some 25 years ago, was sorely depressed. The comparison merely demonstrates the extent to which a relatively low level of interest rates has become the widely accepted norm for our money and credit system. However, the Federal Reserve's policy of credit restraint has assuredly led to an unusually steep rise in short-term rates since mid-1954, although in part this was due to the fact that in the preceding period of aggressive credit ease, rates had been pushed to excessively low levels. And measured against the movements of the past 20 years or so, money rates now are certainly in a high area.

Under a flexible Federal Reserve policy, we must expect fairly wide fluctuations in short-term interest rates. If, as seems reasonable, the odds are against any intensification of credit restraint over the near future, one may venture the guess that money rates are near their high points for 1956 and will average below present levels for the year as a whole. In other words, the money market may be now passing—or may have already passed — the peak of tight credit. Moreover, in view of the volatile nature of short-term rates, even a fairly minor relaxation in the current policy of credit restraint such as is deemed quite probable in the course of the year, is likely to result in a significant easing of short-term interest rates.

Bank Lending Rates — Finally, how are these prospects likely to affect the lending and earning rates of the commercial banks? The prime rate on commercial loans was raised twice in 1955, in August and in October, and now stands at 3½%, against 3% a year ago. This is a very moderate increase compared with the increases in most money market rates; it is reasonable to assume that this rate will hold for some time ahead even if the money market begins to ease. This expectation of a continued firm prime rate is bolstered by the current record level of bank loans and the probability that loan demands will be counterseasonally strong at least through the first half of the year.

In any event, the prospect seems reasonably well assured that 1956 earning rates will show some improvement over 1955. Rates earned on bank loans last year reflected only in part the increases in prime and other lending rates, especially since most of these increases came about in the latter part of the year. Furthermore, lending rates tend to be fairly "sticky" and are not usually susceptible to minor changes in money market conditions. Thus, until the economic and financial climate shows a pronounced change, the broad pattern of lending rates is likely to remain around present levels.

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Lanston Refutes Sproul on Credit, Open Market Policy

it also is quite clear, I think, that the controls over conventional residential mortgages would have to apply with greatest force to the activities of the savings and loan associations.

At the bottom of the exhibit you will find the principal sources of increase in installment credit outstanding. It can be seen that the finance companies have become a major factor in the direct extension of such credit. If, therefore, installment credit were to be subjected to selective control, would not such controls have to apply to finance companies, and to the banks and to many others?

The answer can be readily demonstrated by reference to Federal Reserve statistics. The amount of such credit extension by the credit unions, department stores, furniture stores, household appliance stores and automobile dealers has been considered large enough to be classified under each such group. Hence, I would think that the rules and regulations of selective control would have to be sufficiently detailed and cumbersome as to cover all such groups plus, no doubt, a number of others.

Credit from Non-Financial Sources

I think these statistics point up another thing, too. This is that the problems inherent in mortgage and consumer credit stem partly from the fact that a large and increasing proportion of such credits have been extended from sources outside of the financial institutions that are the more quick to respond to Reserve credit policy. I think we can agree, for example, that the commercial banks are quite quick to react to changes in credit policy and that the lending and investment policies of savings banks and insurance companies are next to follow and are adequately responsive. Such response as is obtained (from Reserve credit policy) from the savings and loan associations is apt, however, to be in the reverse, particularly when the Reserve aims to restrain credit expansion. This is because, as one of the impacts from such a credit policy, the discounts on VA and FHA loans deepen because the rates of interest applicable to such loans are kept, more or less, pegged. As these discounts on the VA's and FHA's deepen, an increasing number of people may prefer, or be able to get only conventional loans. The principal source of these loans has been apparently the savings and loan associations.

But, this is not the end of the story. When and as the demand for mortgage credit became larger than the savings and loans were able to handle from the funds flowing to them from the public, they borrowed from the Federal Home Loan Banks which are authorized and, one might say, were compelled to borrow money in the open market at short-term. Some portion of the funds so raised—I don't know what portion — has come from bank credit that the Federal Reserve has been trying to hold down.

Commercial banks have been held back from competing with the other lenders in mortgage and in consumer credit but the total of such credit has grown apace just the same. The laws and regulations that govern real estate lending by commercial banks are still mindful of the mortgage practices in the 1920's. The amount of the real estate loans of commercial banks is limited to modest percentages of the appraised value of the property, and of the time and savings deposits of the individual bank and to a quite small fraction of the bank's total assets. The non-commercial bankers among you may be amused, too, to be reminded of the limitations that exist for the rates of interest that commercial banks may pay on time and savings deposits. Monies pledged to remain under one form or another of a time or savings contract of less than 30 days may receive no interest, from 30 to 90 days—1%, from 90 days to 6 months— 2% and over 6 months—2½%.

To a lesser extent, today, but to a measurable extent prior to the last few years, the savings banks were at a definite competitive disadvantage in the granting of conventional residential real estate loans as compared with the savings and loan associations. You know more about this than I do but I believe that to some extent, the savings and loan associations still retain a competitive advantage in that they may grant larger loans on residential property than, e.g., savings banks in New York State. Only in recent years have the New York savings banks been free to base the rates of interest on their deposits in accordance with the to be returns obtained from prudent investment. Savings banks in Massachusetts only recently obtained legislative approval to lift their mortgage holdings to a proportion of assets that, for some savings and loans, might be viewed as an underinvested position.

Savings — Loan Completion

Certainly, in some degree, the growth of the savings and loan associations has been at the expense of the commercial and savings banks of the country. Here in Connecticut, in New York and in New England where we have a large number of savings banks, both savings banks and commercial banks have suffered. Throughout the rest of the country where, generally speaking, we have fewer savings banks, the commercial banks have lost considerable ground in their respective communities. The scheme of things as between these three types of institutions—the commercial bank, the savings bank and the savings and loan association—is a hodgepodge of inequity. I raise for your consideration some questions: Would it be more consistent with the idea of releasing maximum initiative and enterprise, and would it be better public policy to revise Federal and state laws and regulations so that the commercial banks that hold time and savings deposits, and the savings banks, and the savings and loan associations each find their real estate lending operations geared to the same basic rules? It doesn't seem to make sense to have the rules such that the bulk of conventional mortgage lending on residential properties is made through savings and loan associations at the expense of neighboring financial institutions. It also doesn't seem to make sense to continue with rules such that so large a proportion of the real estate lending of the commercial and savings banks has to take the form of VA and FHA loans because their competitive position has been arbitrarily weakened. Moreover, as a corollary result the liabilities of the Federal Government under insurance and guarantee programs that were conceived as emergency measures are unnecessarily increased.

May I also raise for your consideration the question as to whether lending activities that are essentially similar, should or should not be subjected to one set of rules for the setting up of reserves and entail similar liabilities for the payment of Federal taxes? Is it good public policy to restrict the rates of interest that may be paid by one type of institution and have different rules for other types of institutions doing a similar business in the same community?

Should a commercial bank be prohibited from paying a reasonable rate of interest on a 30-day time contract if the alternative consequence is that the depositor may withdraw his money to lend it directly to a finance company that, in turn, will relend the funds to people who want to purchase goods on time?

I suspect that, as a government security dealer, I am really jumping into the fire by raising such questions but I do so nonetheless because I believe with some conviction that selective credit controls are inimical to our long-run best interests and each of us should place such a consideration first, at all times. I recognize, too, the implications of the sort of questions that I have raised for your consideration. Their ramifications could be wide and deep. The test of how such questions should be answered should not be dependent, however, on the scope of their ramifications. The test, I believe, should be whether it is right or wrong for the various types of financial institutions to be free to compete on equal terms, free to use their initiative and enterprise unencumbered by arbitrary, outmoded limitations.

Effects of Rule Changes

Perhaps, I might mention some of the things that could happen if the same rules were to apply for similar types of lending activity among the financial institutions, I have mentioned and if we were to return to a system wherein commercial banks could compete with others for the short-term deposits they have been losing. Commercial banks would be faced with an additional element of cost. This element of cost would be income, however, to some one else. The general level of interest rates would adjust upwards so a transitional period would be needed. The financial intermediaries—namely, the banks and other types of institutions—would not reap a harvest from this. Borrowers would pay more for their money day-in and day-out, but the money that was lent would earn a greater return for those who have and are willing to save, to all holders of life insurance policies, to those who have an interest in a retirement plan or pension and so forth. The benefits would flow, I believe, to just about everyone in the country because we would have greatly enhanced the efficiency of the workings of credit and monetary policy.

It may seem that I have been arguing along lines that would increase the money supply. The results might seem to fall into this shape but I think we misinterpret the real size of the money supply if we ignore the large growth in the liquid assets that have come to be held outside of the banks.

Finally, it strikes me that if we are to strengthen and to improve the workings of credit policy and of monetary policy, an independent agency such as the Federal Home Loan Bank Board should report to, and its policies should be caused to remain consistent with Reserve credit policy. Similarly, I wonder if it is good public policy to have a single administrator for the Federal Housing and Home Finance Agency; one man free to exercise all of the powers that are granted to this polymorphic organization? Might it not be better to delegate such power to a Board and to have the Board and all others responsible for the administration of the VA and FHA programs reporting to, and their policies caused to remain consistent with Reserve credit policy?

In my discussion up to this point I have covered many things that may have appeared to be not too closely related. The genesis of my whole approach is, however, rather simple. If the workings of credit and monetary policy leave something to be desired then, instead of being trapped into buying the selective control approach once again, perhaps there are ways of releasing certain of our financial institutions and certain of their activities from antiquated, outmoded limitations to the end that the effective scope of general credit controls can be increased, and the workings of our financial institutions generally made more responsive to such general credit controls.

In the field of Federal Reserve open market operations, I happen to have a conviction that when open market operations go beyond the scope of bills they may be counted upon to hold unending ramifications. These are frequently unpredictable, even for those who are intimately involved in the market. Generalizations and high theories on these matters tend to produce conclusions that ignore the technical and practical aspects, they tend to ignore human reactions, and, it is upon these that much of the normal functioning of credit and monetary policy must be based.

At the same time, I would not say for one moment that there have been no occasions in the past when you might not point to a specific situation in the market and say "Gee, if the Federal Reserve could only buy and sell in this sector of the market, it certainly would help out". I am willing to grant that similar situations will occur in the future. But, it is not the first drink from the bottle labelled "Perfection Lies This Way" that causes the trouble. A drink now and then may give us a warm, comfortable feeling. Yet, as I think most Reserve officials have agreed, during the period of years when the scope of transactions was virtually unlimited, the drinks sometimes were poured out one after another and too rapidly, with the result that the Reserve found itself with one hangover after another.

A little more than a month ago, the Reserve turned up as a buyer of when-issued certificates to help bale out what seemed apt to be a less - than - desirably successful Treasury refunding—based on the size of the potential cash attrition. The Federal Reserve had tried precisely the same thing in December 1950. Then, it ended up buying $2.7 billion of Treasury securities.

"Won't Happen Again?"

Those who would argue on Mr. Sproul's side of this question say, "Oh, they wouldn't do that again. They would never buy more than was consistent with the credit policy objectives of the time." Let's look at that one! Suppose policy permitted the Reserve to purchase $200 million of Treasury securities during a refunding and the green light were received to proceed. Let us also suppose that at 12 o'clock noon on the first day of the exchange, the Reserve found that it has reached that limit. Should it stop buying or see if another $100 million might do the job? If the additional purchases failed to do the job should, and would, the Reserve proceed to buy another $100 million or another $½ billion? At what point should they stop? If they stopped without having done the job—would the consequences be less, or worse, than if they had never begun? If the Reserve were to be willing to render support to Treasury financing, as a matter of policy, along the lines of Mr. Sproul's proposal as set forth in the records of the Open Market Committee—could we confidently rely on avoiding another Treasury-Reserve impasse?

In discussions of normal open-market operations I find that people sometimes overlook the large scale on which these must be conducted for the purpose of adding to or subtracting from the reserve balances of the member banks. The requirements can run from $50 to $100 million in a single day, sometimes much larger sums. Transactions of such size can be executed in bills with only a minor impact, most times, on their yields. Furthermore, bill yields are subject to public reassessment weekly through the bill auctions. It is not possible to deal in these amounts in other types of Treasury issues, nor are the yields on the other Treasury issues subject to such regular and easy public reassessment.

Nor do I lack concern over the Reserve's purchases last November of when-issued certificates to reduce the Treasury's attrition and, presumably, to help put that refunding over. We cannot be assured—yet—that the Treasury a year from now will not actually face a deficit rather than a surplus. In such a background, the policy of confining open market transactions to bills seems to be infinitely the more prudent, as well as being the more practical one.

Interest Rate Outlook

The outlook with respect to interest rates over the near term is somewhat cloudy. In our firm we happen to hold the belief that the authorities run the risk of overstaying their policy of credit restraint and that less risk would be attached to a decision to ease up a slight bit. We can best measure the chances for future developments in credit policy by attempting to place the near-term prospects for changes in business conditions in the proper perspective.

The upturn in business began in the summer of 1954. It ran ahead at a terrific pace throughout 1955. In the last two months of the year some soft spots appeared. Lower starts for residential housing is one. Prospective lower production of new cars is a second. A third seems to be appearing in signs that new installment credit has been extended at a lower rate while required repayments on outstanding credit continue to enlarge. January certainly could show some further signs that the boom is or has been approaching a crest. That would hold, we believe, considerable significance for the credit authorities. As we see the picture the important question—right now—is whether the rate of climb is petering out —not whether business will turn downward.

We discussed the other side of credit policy possibilities in this week's letter. We took the point of view that another increase in the discount rate, at this stage, would be comparable to conking the boom on the top of the head with a good-sized baseball bat. That may have been an overly-dramatic statement but we believe that when successive increments of credit restraint have been laid one on top of the other, in fairly rapid succession, there comes a point when a new increment of restraint can produce an environment so intense that the consequences would be shocking to many people. You, however, must recognize that when one attempts to hold a point of view on future developments in credit policy in the present circumstance, this requires some prejudging of future events and of the reactions of the authorities to the unfolding of these events. It's pretty tricky business and it's easier to be wrong than right.

In conclusion, let me say that if you have not read Mr. Sproul's recent talk you should find it interesting and worth your while. I like the thought of more cross-fertilization of ideas between the minds outside of the System and those within; it could be advantageously carried further through more frequent exchanges between more of the practical and theoretical men—privately and publicly.

On the idea that a case may exist for adopting selective credit controls, I hold these are an anathema to our kind of enterprise. If the workings of credit and monetary policy leave something to be desired then, instead of being trapped into buying selective controls let us release certain of our financial institutions and certain of their activities from antiquated, outmoded limitations to the end that the effective scope of general credit controls can be increased, and the workings of our financial institutions generally made more responsive to such general credit controls.

On Federal open market operations I have not said anything new. I do hope, however, that as practical men you will insist on having your voices heard wherever this subject comes up for discussion.

On future developments in credit policy, the probabilities seem to favor a change in emphasis toward less rather than toward more credit restraint.

Relative Growth in the Total Loans and Investments (Other Than Treasury Security Holdings) Of Selected Types of Financial Institutions

From December 31, 1945, to October 31, 1955

(In billions of dollars)

	Dec. 31, '45	Oct. 31, '55	Times
Commercial banks	33.4	96.0(1)	2.9
Mutual savings banks	5.5	21.1(1)	3.8
Life insurance companies	21.6	73.4	3.4
Savings and loan associations (3)	5.4	30.6(2)	5.7

(1) Oct. 26, 1955; (2) Sept. 30, 1955; (3) Mortgages only.

Growth in Holdings of Residential Non-Farm Mortgages

From December 31, 1951, to December 31, 1954

(In billions of dollars)

	FHA	VA	Conventional	Total
Commercial banks	0.7	0.4	1.8	2.9
Mutual savings banks	1.2	2.5	0.8	4.6
Total banks	1.9	3.0	2.6	7.5
Savings and loan associations	0.3	1.6	8.7	10.6
Total	2.2	4.6	11.3	18.1
Life insurance companies	0.9	1.5	3.7*	6.1

From December 31, 1954, to September 30, 1955

	FHA	VA	Conventional	Total
Commercial banks	0.4	0.3	0.7	1.4
Mutual savings banks	0.3	1.1	0.3	1.8
Total banks	0.7	1.5	1.1	3.2
Savings and loan associations	0.2	0.9	3.4	4.5
Total	0.9	2.4	4.4	7.7
Life insurance companies (1)	0.2	1.1	1.2*	2.4

(1) Oct. 31, 1955.

From December 11, 1945, to September 30, 1955

	FHA	VA	Conventional	Total
Commercial banks	1.1	0.8	2.5	4.3
Mutual savings banks	1.6	3.7	1.2	6.4
Total banks	2.6	4.4	3.7	10.7
Savings and loan associations	0.5	2.5	12.1	15.1
Total	3.1	6.9	15.8	25.8
Life insurance companies (1)	1.0	2.6	4.9*	8.5

(1) Oct. 31, 1955.

*All non-farm mortgages, that is, includes commercial mortgage loans.

Growth in Instalment Credit Outstanding

From December 31, 1945, to October 31, 1955

(In billions of dollars)

	Total	Commercial Banks	Finance Cos.	Others
From Dec. 31,'45 to Dec. 31,'54	20.0	7.9	6.1	6.0
From Dec. 31,'54 to Oct. 31,'55	4.5	1.5	2.4	0.6
Grand total	24.5	9.4	8.5	6.6

Federal Land Banks Plan Bond Offering

The 12 Federal land banks are making arrangements for a public issue of $130,000,000 of one year 3% consolidated Federal farm loan bonds, Thos. A. Maxwell, Jr., Director of Land Bank Service of the Farm Credit Administration, announced on Jan. 23. This financing is primarily to repay borrowings from commercial banks and to provide funds for use in current lending operations.

The offering will be made through the banks' fiscal agent, John T. Knox, 130 William St., New York 38, N. Y., with the assistance of a nationwide group of security dealers. He will announce the offering price on or about Jan. 26.

The 12 Federal land banks make loans to farmers on farm mortgage security through 1,100 national farm loan associations. On Dec. 31, farmers had outstanding 352,000 land bank loans amounting to $1.5 billion. The 12 land banks and the national farm loan associations are completely farmer-owned. Each farmer-borrower buys stock in his local association equal to 5% of his loan. The association in turn uses this money to buy stock in the land bank.

$40,000,000 Banks for Cooperatives 2.95% Debentures Offered

The 13 banks for Cooperatives on Jan. 24 offered publicly $40,000,000 of 7-month consolidated collateral trust debentures through John T. Knox, their fiscal agent, with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 2.95% per annum. The interest is payable with the principal at maturity. They are dated Feb. 1, 1956, and will mature Sept. 4, 1956.

Proceeds from the sale of these consolidated debentures will be used primarily to redeem the $40,000,000 of 1.90% debentures due Feb. 1, 1956.

These consolidated, secured debentures are the joint and several obligations of the 13 Banks for Cooperatives. The banks are chartered under the provisions of the Farm Credit Act of 1933. They operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on terms particularly suited to their needs.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to give a good account of itself, even though it may be a bit too early to say for sure that the money restraining policies of the monetary authorities will be relaxed somewhat in the near future. Nonetheless, there is more money around for the purchase of Treasury obligations, with most sections of the list getting some of this buying. It is reported that a significant amount of the money which was recently raised through the sale of the Ford stock has been and will continue to be finding its way into near-term as well as somewhat more extended maturities of Government obligations. Likewise, some of the funds realized from the sale of tax-free obligations are also being invested in short-term Government issues. This demand for short-term issues is considered to be the main reason for the lowering of the bankers' acceptance rate.

The intermediate and longer-term Government obligations have also been in demand, with the smaller banks and pension funds still the important buyers of these securities.

Improved Market Tone

A better feeling has made itself felt in the money markets, particularly in the form of improved quotations for Government obligations. Since the start of the year, more attention has been given to Treasury issues, with nearly all maturities sharing in the improved tone which has been in evidence. The sharp decline in the equity market has not been unfavorable to sentiment in the bond market. The market for practically all Government issues is still thin and it does not take much buying to have a rather marked influence upon the prices of these securities. This buying, along with some minor position building by dealers and traders, has tended to bring about higher prices for most Government obligations.

The policies of the monetary authorities still show no divergence from the path which has been followed in the past, and there is not likely to be any important changes until more is known about the trend of economic conditions. To be sure, there are indications that certain segments of the business pattern have slowed down, or are losing some of their momentum, but it is believed that more evidence about the future trend of these forces will have to be available before there is likely to be a major change in monetary policies.

Change in Credit Policy Possible

However, if the boom has gone past its peak, and there appears to be many money market specialists who hold to this belief, there is quite likely to be not only less tightness in the Government market but also some ease would not be an unexpected development. The passing of boom conditions as far as the money markets are concerned should mean that the very large demand for loanable funds would abate somewhat, so that the very tight money conditions would give way to less stringent ones. It is the opinion of not a few money market followers that the interest rate pattern has now entered a kind of a plateau, with more of a tendency toward ease than further tightening.

A Very Thin Market

The Government market has been and still is a thin affair, and barring unforeseen developments, such as tighter money conditions, it is not going to be easy to buy sizable amounts of selected issues without having a rather marked effect upon the quotations of these obligations. Liquidation of Government securities has been going on for quite a while, and even though prices have moved down, large amounts of these issues have been absorbed by those that are not inclined to let them out with the early flushes of rising quotations. Dealers and traders, according to reports, do not have enough in the way of positions to be important factors in the demand which might develop for these obligations. Therefore, is is believed that, when less restraining conditions do come about in the money markets, a much improved tone is to be expected in most issues of Government securities.

"Discount" Bonds Going Well

As has been the case in the past fortnight, the buying in the more distant Government obligations is coming mainly from the smaller banks. It is evident that these institutions are continuing to put funds to work in the discount issues, with most of the longer 2½s sharing in this buying. There are also reports that the 3s, and to a lesser extent the 3¼s, are being sold, with the proceeds being invested in the 2½% bonds. Private pension funds, according to advices, are now making some commitments in the 2½% bonds.

Commercial Credit 3⅝% Notes Sold

The public offering of $75,000,000 3⅝% notes due Feb. 1, 1976, of Commercial Credit Co., which was made on Jan. 20 at 100% and accrued interest by a group of underwriters, headed by The First Boston Corp. and Kidder, Peabody & Co., was quickly oversubscribed and the books closed. These notes will constitute a part of the superior indebtedness of the Commercial Credit Co.

The net proceeds from the financing will be added to the company's working capital to finance an increased volume of business. The company's volume of finance business is at an all-time high, both as to receivables held and earnings, and net receivables held amount to over $1 billion.

Commercial Credit Co. is one of the three largest installment finance companies in the country, and, in addition, is engaged in fire, theft, and credit insurance and certain diversified manufacturing operations.

Other members of the underwriting group include: Goldman, Sachs & Co.; Stone & Webster Securities Corp.; Blyth & Co., Inc.; Eastman, Dillon & Co.; Harriman Ripley & Co. Inc.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; Smith, Barney & Co.; Union Securities Corp.; White, Weld & Co.; and Robert Garrett & Sons.

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Minimum Wage Law Harms Real Growth

gains that they would not otherwise have had.

A simple way of demonstrating this fact, is to point out that wages in industries covered by the law have increased no faster than wages in industries exempt from the law.

From 1939 to 1950, wages in manufacturing (mostly covered) rose 121%. Wages in retail trade (mostly exempt from the law) rose 117%—or almost exactly the same in this 11-year period. From 1950 to the present, wages in manufacturing and retail trade have exactly kept pace with each other, each showing a gain of 30%

The law is designed not only to raise wages, but to reduce hours worked. Yet, from 1939 to 1950, average weekly hours in manufacturing increased by more than 7%, while in retail trade they fell off by more than 5%. From 1950 to 1955, hours in manufacturing rose and in retail trade they fell.

It would seem, then, that the denial of "protection" to retail employees has *not* denied them anything in the way of increased wages or shortened hours.

A determined effort, it is predicted, will be made in this session of Congress to remove the exemption of retail and service establishments from the Fair Labor Standards Act. In his State of the Union message, on Jan. 5, the President stated:

". . . We must also carry forward the job of inmproving the wage-hour law. Last year I requested the Congress to broaden the coverage of the minimum wage. I repeat that recommendation, and I pledge the full resources of the executive branch to assist the Congress in finding ways to attain this goal . . ."

What are some of the economic considerations which should be studied in considering the merits of proposals to extend coverage?

Why Remove the Retail and Service Exemption?

The logical first question to ask would be, why cover retail and service employees? Presumably, apart from vote catching, the reason would be to improve their working conditions.

In other words, we should expect that wages in retail establishments will not keep pace with gains in wages in manufacturing, unless the protection of the minimum wage law is extended to retail employees. We would also expect that hours worked per week would rise—or not fall as fast—as hours worked by manufacturing employees.

In this connection, it is interesting to note a recent study by the National Bureau of Economic Research, a thoroughly reliable research organization. This study ("Distribution's Place in the American Economy since 1869," by Harold Barger, Princeton University Press) traces wages, hours and many other factors in distribution, from 1870 to 1950. Some extremely pertinent conclusions were drawn. First, the rate of increase in distribution wages has pretty much kept pace with wages in the production industries. Second, hours worked per week have declined more rapidly in distribution than they have in the other fields. According to the National Bureau study, hours worked in 1869 in distribution exceeded hours worked in commodity production and construction by some 20%, on the average. Yet in 1949, hours worked were almost identical.

In other words, the tremendous gains in real income and the increasing privileges of leisure have been extended to retail employees fully as fast as to manufacturing employees and others throughout our history.

It would seem, on the basis of all this evidence, that retail employees have no need to be "protected" by any national legislation. The dynamic operations of a competitive enterprise economy and labor mobility are the best possible assurance of real long-term risis in living standards for them as for the rest of the economy. It would therefore seem that there is no real reason why we should cover retail employees under the wage-hour law.

Why Not Remove the Retail and Service Exemption?

But is there any reason why we should *not* cover retail and service employees? If they would gain little from being "protected," would they lose anything from being protected? Or would the economy, as a whole, lose anything?

To know this, we have to ask: What would happen if the wage-hour law was extended to retail and service employees?

What this law would do would be to state, in effect, that no operator of a retail establishment may hire any employees unless he can pay a stated amount (say, $1) per hour. He cannot let them work more than 40 hours a week, unless he is willing to pay them half again as much for those hours.

What would be the effect of these requirements?

Direct Wage Increases

For some stores, a substantial increase in wage rates would be required. This would be true even if a rate somewhat below the $1 minimum was imposed, and would have an especially drastic impact in portions of the south and in some other isolated areas throughout the country. Some idea of the impact can be gained by looking at Bureau of Labor Statistics figures on average hourly earnings in some of the presently exempt fields.

For general merchandise stores, average hourly earnings in 1954 were $1.15. But this is an *average* for all employees. Therefore, it is safe to assume that a considerable proportion earn below $1 an hour.

For department stores and general mail-order houses, a group which would be covered by certain proposals for modified exemptions, the average is $1.29, again, indicating that there would be employees below $1.

For hotels (year round) the *average* hourly earnings in 1954 were 96c. This figure would indicate a substantial impact on this industry, except that it includes only money payments. Additional value of board, room, uniforms and tips, which would be included in computation of the rate under the minimum wage requirements are excluded.

For laundries, average hourly earnings were $1. For cleaning and dying plants, the figure was $1.19.

There is every reason to expect that these wages will rise anyway in the next few years. Responsible employers like to pay good wages because they know they get good employees and good work that way and reduce costly turnover. Furthermore, they are forced by competition for employees to raise wages.

However, the level of wages is limited by the output per worker in an industry—even in a particular establishment within an industry. What a minimum wage law does is to set, arbitrarily, a certain level below which wages may not be paid. This level may be higher than current productivity and, therefore, result in barring those workers from jobs. The irony of the matter is that, if no minimum wage had been posed, rising productivity would have brought them up to that level anyway within a few years.

The arbitrary level which the minimum wage sets is applied nation-wide despite tremendous regional variations in wage rates —and variations from community to community.

Indirect Wage Increases

It shoud be ecphasized that the increase in wages, which coverage would bring about, would, by no means, be confined to the increases required by law. The *indirect* effect of pressure to preserve previously existing differentials *above* the minimum would force wages up all along the line.

There was much discussion of this indirect effect of minimum wage fixing during last year's debate on raising the minimum for covered industries. One of the conclusions that was accepted on all sides was that the indirect effect is greatest when the direct effect is greatest. That is, where you have a great many workers earning close to a new minimum, you find terrific upward pressure on wages just above the minimum, a matter which we tried to measure in our "Economics of Minimum Wage Legislation" (1955).

It is obvious that, in retail and service establishments, the direct effect of coverage on wages below the minimum would be rather substantial. Therefore, it is also clear that the *indirect* effect would be very great.

This indirect effect is no idle speculation. Three major unions are currently basing demands for wage increases explicitly on the pending March 1 increase in the minimum to $1. In these unions, prevailing wage rates are not below $1, but the demands seek "correction of wage inequities resulting from" the new minimum wage increase.

The United Textile workers, for example, will press for a "proportionate" wage boost next March as a necessary step to maintain the differential between the minimum wage and pay scales in its contracts. In this way, "wages will be brought into line without discrimination of any worker who now receives more than $1 an hour."

Similarly, the International Ladies Garment Workers' Union has started a drive to raise union rates to counteract the squeeze which the higher minimum wage puts on. The booth and shoe workers went out on strike in the St. Louis area over demands for "correction of wage in equities resulting from an increase in the minimum wage" among other things.

This pressure will exist, whether employees are organized or not. But to the extent that retail establishments are organized—even if all the employees organized are above the proposed minimum — the upward pressure in wage rates will be strenuous.

Perhaps it is significant that the apparel manufacturers' unions are reported to be actively pushing for a strong stand by the AFL-CIO combine on expanding coverage to groups presently exempt. The union members are covered themselves. However, they know that if wages are raised in uncovered fields, they will have new justification for seeking wage increases in their contracts.

Overtime

Perhaps there is another reason to expect unions to press for expanded coverage of the wage-hour law. One of the long-term goals of the AFL-CIO is to reduce the workweek to 35 hours, perhaps eventually to 30 hours. This may seem a bit utopian so long as the 44- and 48-hour workweek is as widely used in distribution as it is. If they could succeed in forcing the distribution industry into a 40-hour pattern, the outlook for a statutory 35 hours would improve considerably.

These overtime provisions of the Fair Labor Standards Act, if applied to retail and service establishments, could be very costly and disruptive. The present law requires time-and-a-half after 40 hours of work per week. In a large section of the retail and service industry, 44- or 48-hour workweeks are standard practice.

The only way to avoid this substantial overtime cost would be to completely revise present work schedules. In many areas, this would mean much disruption.

Recordkeeping Costs

The required regulations in bookkeeping would obviously have a drastic "nuisance" impact on retail and service businesses. But notice that this is mentioned here as an *economic* effect.

Under the regulations of the wage and Hour Division, *17 separate records* must be kept for *each* employee for *three* years. *Seven* other sets of records must be preserved *two* years. There are additional requirements as to *how* these records must be kept.

And, in the language of the regulations, "each employer is liable for extension, recomputation, or transcription necessary in making these reports; any reports concerning these records must be furnished on request from the Administrator or his representative" The regulations do not bother to add that the bill for all these services must be footed by the employer, and probably added to the cost of his product. If retailers were covered, a host of bureaucrats with their rule books and their myopic view of life would descend upon you.

It is doubtful if many retail and service establishments are aware of the tremendous time and cost which compliance with the law and these bookkeeping requirements would entail.

The Labor Department has been investigating business establishments under the Fair Labor Standards Act at the rate of about 30,000 or 40,000 establishments per year. In these investigations, the Department regularly finds about 50% each year "failing to comply" with the law or the complicated regulations issued under it. For retailers and service enterprises, compliance with the rules and regulations is much more defficult than in many other cases.

If retail and service businesses were covered, the Department would be confronted with a tremendous increase in the number of establishments covered by the law. Thus the enforcement problem would be increased all out of proportion to the increased coverage.

Whenever the government gets into the business of setting wages, medium or otherwise, you are bound to run into these problems which don't come up under a free market system. These problems are the mark of a bureaucracy.

Consider, for example, a paper bag manufacturer trying to determine just what minimum wage applies to him. Right now, it woud be 75c under the Fair Labor Standards Act—unless his employees work over 40 hours a week. When they do, he pays time-and-a-half for overtime ($1.12* an hour — unless he has handicapped workers or learners on his payroll. For them, the Labor Department has a special subminimum rate—unless his paper bags sell entirely within one state. In that case, he doesn't have a minimum wage at all—unless the state has a law which covers him. If so, he must pay the state minimum.

Of course, all this applies only until March. Beginning then, the minimum goes to $1 an hour and $1.50 for hours over 40 in a week.

Unless he has a government contract. If he does, he paid a minimum wage in the paper bag industry of 75c an hour — until Dec. 5, 1955. At that time, he began paying 99c an hour under the Walsh-Healey Act—until March 1, 1956. Then the $1 minimum under the Fair Labor Standards Act will take precedence—except for time-and-a-half after eight hours a day (as well as 40 hours a week) — provided his contract is for $10,000 or more.

He can forget all the Walsh-Healey regulations if his product is one that "may usually be bought in the open market." If this is the case with his paper bags, he is exempt from the minimum wage requirements—unless the government purchaser decides to advertise for bids anyway. If he does, then he pays 99c an hour.

The retailer has, thus far, been fairly well isolated from all these ramifications and special provisions of minimum wage fixing. The pressure to remove or modify his exemption threatens to destroy that splendid isolation.

The Wage-Hour Administrator has held hearings on another phase of the Act—the salary requirements under the exemption for executive, administrative and professional employees. He has before him certain proposals for raising these salary requirements to levels which would materially complicate his enforcement problems and the compliance problems of some members of the N. R. D. G. A. Perhaps the excellent statement which you submitted to him a few weeks ago, along with others, will help to reduce further meddling.

We see, then, that if the wage-hour law was extended to retail establishments, we could expect several things to happen—direct wage increases, indirect wage increases, overtime worries, study of complicated rules and compliance and tremendous and costly recordkeeping chores. How would the industry adjust to this?

Price Pressures

We could certainly expect some upward pressure on prices. Price increases are already being experienced in covered industries, as a direct result of the prospective increase to $1, even though that increase has not yet gone into effect. In fact, a recent story in "Business Week," predicting price rises with the new year, put a major part of the blame on the impending minimum wage increase. In many sections of the south, a large part of the labor force would be directly affected by the higher minimum. Goods and materials produced in the south flow through a nation-wide market, so a wage and price boost there will also put pressure on prices in high wage regions. A rise in the price of cloth from the south will, for examplpe, suggest a rise in the price of clothing.

Ever since the law was passed in July, these price rises have been trickling in. Industries from costume jewelry and lumber to hosiery and almost all lines of textiles are reported to be raising prices to absorb the new minimum.

In the debate on minimum wage legislation last year, the potential price effects on many industries were easily disregarded by those who advocated the increase. The reason was that most of these industries were several steps removed from the ultimate consumer. The public interest side of price increases was not clear-cut. It seemed to be largely an "industry question." This means that the retail and service industries will have one great advantage in presenting their case to

Congress and others — in that price increases at the retail level would directly and immediately hit the consumer. These will not be so easy to ignore.

Disemployment

It may be that competition will prevent the entire cost of a higher minimum from being passed on to consumers. If this is the case, we would expect to find much curtailing of supplementary services provided by retail and service establishments. Not unlikely, a considerable curtailment in employment of part-time workers, older workers and others could occur.

Many workers who qualify for employment at a free market rate might not automatically qualify at a legislated minimum wage rate. How many of these low-wage earners would simply be barred from jobs by Act of Congress? It is never possible to predict exactly how many in advance.

Some observers have suggested that even if retail establishments were entirely covered by the Act, there would be no decrease in total employment. The reasoning is this—that the problem of enforcing the wage-hour law in retail establishments would be so great that the government would need to hire so many more regulators and inspectors that it could absorb all the displaced retail employees. They could all become bureaucrats!

Reduced Service to Consumers

One way or another, the principal result of extending coverage to retail and service establishments would almost certainly be reduced service to consumers, either through higher prices, through less special services, through less part-time employees, or through more self-service.

One thing we can be fairly sure would not happen if the wage-hour law was extended to retail and service industries. The working conditions of employees in these industries — assuming they were still employed—would not be materially imprpoved.

This brings us back to the question: Why should we extend the wage and hour law to these industries? The only sound way to better the economic status of low-income groups, is the way which has succeeded in doing just that in the past—namely, to permit the growth of real prosperity through increasing outout in manufacturing and increasing efficiency and consumer service in distribution and pacing the gains to the consumer in lower prices and improved quality.

Bache Appoints

SYRACUSE, N. Y.—Lee K. Simon has been appointed associate manager of the local office of Bache & Co., members of the New York Stock Exchange, it has been announced. Bache's Syracuse branch located in the Onondaga Hotel, is under the management of W. C. Finneran.

Mr. Simon graduated from Syracuse University, Class of 1950, and later took his Master of Arts Degree in Economics, plus graduate work at New York University. He was in the Army for three years and rose from the rank of private to First Lieutenant.

Following several years in the investment and financial fields in New York, Mr. Simon is now returning to Syracuse.

To Form Corporation

As of Feb. 2 DuPasquier & Landeau, Inc., will be formed with offices at 61 Broadway, New York City. Officers of the firm, which will be a member of the New York Stock Exchange will be Pierre DuPasquier, President; Serge Landeau, member of the Exchange, Vice-President and Treasurer; and Beatrice Landeau, Secretary.

Securities Salesman's Corner

By JOHN DUTTON

Overemphasis on Short-Term Market Changes Should Be Disregarded by Investors

Eventually there may be an awakening on the part of stock market letter writers, commentators, and those who have the responsibility of disseminating information regarding securities and investments in stocks and bonds, that for these many, many years, they have been **overemphasizing the day to day fluctuations in the market.** If we are ever to become mature individuals in our attitude toward investment in securities, we will have to eventually stop playing silly games with eighths and quarters from day to day, hour to hour, and minute to minute, in the stock market.

Almost every evening you can hear some pundit over your local radio station tell you that the Dow Jones Averages, or the Associated Press averages, have gone up a few points, or down a few points. They tell you that Steel was up a quarter, and that G. M. was up or off a point, or less, or more; that there were so many new highs and so many new lows; that trading volume was so-and-so; and that the market had a good tone, or a weak tone; or there was selling in the rails, or buying in the coppers. This sort of drivel is pumped out over the air waves and in the financial columns (of the press) to a mass audience, by responsible Stock Exchange firms or others, and they think they are doing some good advertising. In my opinion they are just wasting a lot of money and confusing people who don't understand such things, and who care less. INVESTORS, AND POTENTIAL INVESTORS IN THIS COUNTRY, HAVE BEEN SPOON-FED SO MUCH OF THIS SORT OF INFORMATION THAT THEY HAVE BEEN MISEDUCATED AND MISINFORMED. This information is primarily of interest to traders—not investors!

Today only a small percentage of the general public that can figure two and two to make four, are interested in short-term market swings. High taxes on short-term gains, high commissions, and the bother of handling small trades for tax purposes has discouraged most of the smaller traders who used to make up a large percentage of the clients of Stock Exchange firms. Those who are still trading for the quick turn are playing a foolish game with the odds stacked against them. An analysis of smaller trading accounts over a period of years long enough to establish a full pattern of an up and a down cycle will prove this.

Yet, many firms are still advertising and discussing the market from a "short-term trading" viewpoint. They are missing 90% of their real market and 100% of their potential market.

Discourage your customers from the habit of looking at the market every day.

Advertise for investors and do so in language they can understand. Write market letters about investments, values, income, potential for long-term growth, not blurbs that infer the Stock Market is some sort of a gambling casino.

I am of the opinion that the **investment business** in this country would be a lot better off if the newspapers did not attempt to "analyze" market movements. Certainly the way the press handles intermediate swings in the stock market is misleading and emotionally disturbing to the great mass of uninformed investors.

Educate Your Customers

Don't blame your customers if, every time they hear the radio or read in the press that the stock market has sold off a few points, they call you and in a concerned tone of voice ask what the market is doing. They have been misled about the importance of market fluctuations in securities for years because those in the investment business, underwriters, brokers, dealers and financial writers have OVEREMPHASIZED MARKET FLUCTUATIONS, and understated the importance of the real considerations that people should look for in investments.

When my customers ask me what the market is doing I often tell them I don't know and don't care. I tell them they have bought their securities for long-term investment, and the only time they should sell any of them is when there is something that may go wrong, or if they have advanced to a point where they can be replaced by another investment that offers a better future. It isn't so easy to break down the unsound and unrealistic, emotional thinking that has been hammered into many people by the press, and the so-called investment advisory organizations, and most of the securities industry all these years. But eventually you can control your accounts and help them to buy securities for investment, and forget what the stock market is doing from day-to-day.

I've lived through all these years since 1925 in the securities business—that takes in most of the precrash boom, the 1929 debacle, the depression thirties, the bull market between mid-1934 and September 1936, the pre world-war I doldrums, World War II, the aftermath that ended in the stock market break of 1946, the slow markets until June, 1949, Korea, and the present bull market; and as I write this resume from memory it all seems like a dream. All the daily ups and downs are now meaningless, all the people who got heart failure with the "downs," and inwardly imagined themselves rich with paper profits when we were in the "ups," just were on an emotional jag. Those who bought and owned sound securities that grew with the country received their income, slept good at night, and prospered. Most of the others who tried to catch intermediate market swings either were left far behind or had limited results at best.

When are we going to grow up in this business; and when are we going to stop selling securities and advertising them with 1929 methods?

Sy Leavitt Opens

LOS ANGELES, Calif.—Sy Leavitt is engaging in a securities business from offices at 3482 Cabrille Boulevard under the firm name of Sy Leavitt & Company. Mr. Leavitt was previously with California Investors.

Form Sinclair Securities

Sinclair Securities Corporation has been formed with offices at 160 West 85th Street, New York City, to conduct a securities business. Officers are Jacob Yaffe, President and Treasurer; and Stanley Kleckner, Secretary.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

The year 1955 in the fire-casualty insurance business got off to a good start, and when the dollars-and-cents data are available it is probable that a comparatively good underwriting year will have been rung up. The preceding year, despite the three hurricanes that resulted in extended coverage losses of severe proportions, had, nevertheless, resulted in a very satisfactory industry profit margin, thanks to the good performance of most of the other lines of business. That result, approximately 5.5%, compared with a five-year average of about 3.6%, and it was somewhat better than double the ten-year average.

Be it remembered that in general the shareholder of fire and casualty insurance companies is taken care of by his dividend payments out of income from investments, while the "plowback" to expand the business comes from the underwriting operations. These vary widely, of course, but any year that shows anywhere near a 5.5% profit margin (before Federal taxes) is a good year in the insurance business, particularly if it has to contend with as serious a loss as 1954 did in extended coverage. This, of course, means that the other lines of writings, particularly those in which volume is large, turned in a very satisfactory showing.

To start 1955 the industry was in excellent condition. Surplus was at an all-time high, due primarily to the sharply higher market valuations on equity holdings in company portfolios, rates were satisfactory in most cases, and volume had been built up to a high level. As 1955 was not a year of unduly severe loss in extended coverage as 1954 had been, this line will probably be found to have been a far more favorable one than it was in that year, when it showed a combined loss and expense ratio of 144.8%.

While 1955 saw several severe storms, the resulting losses were principally flood damage, under which the insurance companies are not greatly exposed, as they do not cover the hazard of flood damage, except as it relates to motor vehicles.

At the mid-year date, while industry results for the first half of 1955 were eminently satisfactory, a number of the larger multiple-line writers did not show as good an underwriting experience; and it is probable that this pattern was carried through for the year. In the investment division of the business further appreciation in equity markets, particularly in the higher grade common stocks which insurance managements use for their portfolios, saw upward of $1 billion more added to the carrying value of holdings, with surplus account benefiting correspondingly.

With surplus having been greatly strengthened in the past few years, it may be that some companies will have less need to be niggardly with their dividend disbursements. During the years of inflation when surplus needed considerable bolstering, a greater proportion of investment income than usual was retained by most managements. With the surplus imbalance largely corrected, the stockholder would appear to have a greater demand on investment income. Dividends have been badly skimped in some cases.

Just on the basis of the law of averages, 1956 ought to show favorable underwriting results. The hurricane visitations over the past several years have in their frequency been all out of proportion historically, and it is logical to expect some pause in their incidence. Extended coverage should now be eligible for some rate increases in view of the rather long poor underwriting experience.

Credit Course On Investment Companies

For the first time investment companies will be the subject of an accredited college course when the College of the City of New York starts its spring semester next month. Leaders from the investment company business will be guest lecturers during the session to be held at the College's Bernard M. Baruch School of Business and Public Administration.

The course will be devoted exclusively to investment companies, a subject which up to now has been available for study only as part of general investment courses offered by many colleges. The course is under the supervision of Dr. Harold S. Oberg, Director of Research for the National Association of Investment Companies, who was recently appointed to the faculty of the college.

The City College classes will be held for two hours each Wednesday evening, February 8 through May 20, and two credits will be awarded to students who complete the course satisfactorily.

The course will cover both open- and closed-end investment companies, their management and investment policies, portfolio supervision, and the role of share ownership in family financial planning. Taxation and regulation are also included as topics among the 14 lectures which make up the course.

The new course, Economics No. 168, has been planned by Dr. Jerome B. Cohen, Associate Professor of Economics for City College, in cooperation with the Public Information Committee of the National Association of Investment Companies.

Railroad Securities

By GERALD D. McKEEVER

Southern Pacific Company

The 12½-point decline in the price of Southern Pacific stock from the 1955 high of 65⅛ is just about an even 2½ times the percentage decline of the Dow-Jones Rail Stock Average from its 1955 top. This is a drastic decline for a stock that had reached the previous high level very largely because of recognition of the growth character of the Southern Pacific, although no small factor in the rise was the rather widespread expectation that the dividend, which has been at the rate of $3 annually for more than three years, would be increased in line with the gain in earnings last year.

It is estimated that earnings of the Transportation System amounted to about $5.75 per share for 1955, while consolidated earnings are similarly placed at about $6.50. It perhaps should be explained that Transportation System earnings are the combined earnings of Southern Pacific Company lines and earnings of the Texas & New Orleans, a subsidiary of Southern Pacific Company which owns all but nine of the 646,464 shares of the Texas & New Orleans. Consolidated earnings, on the other hand, include those of the Northwestern Pacific, Pacific Electric Ry. and other wholly-owned lines not considered as "system" lines.

When it turned out that only the regular dividend was declared for the fourth quarter of last year, "disappointed" selling came into evidence, and the decline was also undoubtedly accentuated by a certain amount of tax selling. More recently the market action of "Sopac" may have been affected by the road's December flood loss which added some $3½ million to operating expense in addition to a $1.5 million loss of revenues, but mostly the recent action of the stock has been in sympathy with the general backwardness of the market, and despite the more drastic decline of "Sopac" itself. In view of the 5.7% yield on this stock at the current level of about 52½, a reappraisal would seem to be in order.

The Southern Pacific is basically a growth road, serving the thriving Pacific Coast and the dynamically growing Southwest. The interesting point, however, is that the growth of the Southern Pacific has not only exceeded that of the Class I rail total, which is no more than would be expected, but it has topped even the roads in the Central Western District itself. This is shown by the following table of indices based on the 1947-49 average as 100:

	Southern Pacific	Cent. West. District	Class I Total
Revenues—1954	114	112	104
Ton Miles—1954	111	101	91

While the evident growth character has been mostly confined to its rail operations, the still mostly unproven potentialities of its "outlying" land holdings have been no small source of attraction to the longer term investor. At the close of 1954, Sopac owned 4,036,776 acres and also retained and owned the gas, oil and mineral rights in another 1,203,474 acres representing mostly land that had been previously sold subject to these rights. Income from outlying lands was $5,011,470 in 1954, of which $2,731,023 was from oil and gas rentals and royalties and the balance was from timber stumpage sales, agricultural and grazing leases and mining leases. It is the road's policy to hold these lands for continuing income and development, and along the latter lines, an 8-year program for mineral exploration was initiated in January of last year.

The Southern Pacific Transportation System, comprising 12,405 miles of road, stands second in the U. S. as to road mileage and third as to revenues. Although four routes of the System have been named, viz., Shasta, Overland, Sunset and Golden State, there is actually a fifth composed of the unnamed and unglamorized, but exceedingly important section, the coastal lines, extending from Eureka and San Francisco to Los Angeles, as well as the line from Sacramento to Los Angeles.

The Shasta Route comprises part of the lines from Portland at the northern border of Oregon to Sacramento, of which the Oregon Lines form a part. This route originates lumber traffic in which the Southern Pacific is at the top. The Overland Route, consisting mostly of the 100% controlled Central Pacific, extends from San Francisco via Sacramento to Ogden, Utah, where it connects with the Union Pacific. The Sunset Route is the longest haul, extending from Los Angeles, or from San Francisco via Los Angeles, Yuma, Ariz.; El Paso and Galveston to New Orleans, and the Golden State Route takes off from the Sunset at El Paso and extends to Tucumcari, New Mexico, where it connects with the Rock Island through to Chicago and Memphis. Thus, in addition to its heavy density operations on the Coast, the Sopac is a "triple" threat transcontinental segment.

The road's most recent smart move has been the construction of a $34 million pipeline from Los Angeles to El Paso to carry petroleum products eastward from the Los Angeles refinery area and from the El Paso refinery area westward into the Tucson and Phoenix consumer areas. This is not that the road is going into competition with itself since the pipeline, the most economical long distance transportation vehicle, was in the cards anyway. By using its own right of way for the most part, the road can make the pipeline a particularly low cost operation and hold profitable business which it would otherwise stand to lose. Ostensibly, the pipeline, which is understood to have gone into operation early this month, was financed internally, but it is noted that the Southern Pacific has received ICC permission to sell to its contributory retirement fund $22.2 million 3⅞% debentures to reimburse the road's treasury for capital expenditures.

This pipeline may seem to add complexity to an already complex system made up so largely of controlled and leased lines. However, steps have been taken toward simplification of the system's makeup, and last July ICC approval was given to the parent Southern Pacific Company to merge with the Southern Pacific RR., El Paso & Southwestern, El Paso & Rock Island, Arizona Eastern and Dawson Ry. Co., all 100% controlled leased roads. It is conceivable that a similar move may some day be made in the case of the 100% controlled and leased Central Pacific, but there is some doubt as to the Texas & New Orleans because of domicile.

The Southern Pacific is a higher cost operation than most of the Western roads, but some further improvement may come as dieselization progresses. Based on train mileage, dieselization increased from 66.3% in 1953 to 82% in 1954 for freight service, from 55.9% to 75.5% for passenger service and from 75.9% to 82% for yard service. Later corresponding figures are not at hand, but it is reported that the road's capital expenditures totalled $117 million in 1955.

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Reasons for Confidence In the Business Outlook

more aggravated in 1956. It is working its way toward becoming a political problem as well as an economic problem. We see the same sort of situation clearly in the farming industry now. The large, fully mechanized farm is doing pretty well even with today's low level of farm product prices, while the situation of the small traditional farmer has become one of our toughest political problems. It is a most difficult problem to deal with politically in whatever part of the economy it develops, and I think it will gradually become more pronounced in the fields of manufacturing and trade.

Consumer Debt-Spending

Concerning the third fundamental requisite for a continuing prosperity at current levels, namely, consumer spending, there are two areas of doubt in my mind for 1956. One concerns personal instalment debt and the other deals with the continuation of nearly all-out spending of income on the part of workers. In appraising this segment of the economy for 1956, prudence nudges me to be conservative. Consumers will not spend quite as freely in 1956. I think the makers of goods will use even more advertising to try to convince the buying public that they should be dissatisfied with what they now have and buy new things.

Instalment debt is the total of consumer debt, maturing usually within one to three years, and a real estate mortgage debt that runs for a much longer period. At the end of 1945 these totaled $21 billion. Now they are $111 billion, a five-fold increase. The increase in 1955 was the greatest in the 10-year period. I cannot say that this debt is too high, certainly not from the standpoint of safety to the lender. But it has increased sharply. Consumers have been going into debt in order to expand their purchases, especially of durable goods. By going into debt they spent part of the income they will receive in the future. I believe it is plain that the current rate of increase in instalment credit cannot continue. Since I think the increase in 1956 will be considerably less than it was in 1955, purchases dependent on a disproportionate growth in debt will be eliminated, as it is the difference between new loans made and repayments that makes an addition to net purchasing power.

Auto Market Saturated?

Consumers, feeling confident of the future, have been buying heavily. For some kinds of consumers' durable goods, for example automobiles, I believe the market is at least close to the point of being temporarily saturated in the sense that capacity output cannot be easily absorbed. These goods are subject to a wide variation in demand, and since they last for a comparatively long time, purchases are postponable. Because of the lack of buying power during the big depression and the virtual stoppage of production of these goods during World War II, there has been a huge pent-up demand for durable goods. Most shortages of those two earlier periods have been made up. Purchases now are nearly all the result of current demand supported by high income.

The rise in personal spendable income in the last 12 months has been 7% or about $18 billion. It would seem that this trend would insure a good demand for consumer goods next year. It will. But it doesn't mean that so many consumers will continue the all-out type of spending they have been doing. As families move upward from one income class to a higher one, they will not all automatically continue their spending habits. Some will save more, others will use a larger percentage of the increased income to pay off debts. I think more of that will be done in 1956 than was done in 1955.

Such decisions depend a little on the age of the particular worker. The young ones spend freely, while the older ones are more conservative.

In this regard, the composition by age groups of our population is interesting. During the depression of the 1930s, the birth rate dropped sharply to about one-half of what it was in the 1920s. The young people now reaching working age were born in the 1930s and there are relatively few of them. The average age of workers is tending to increase, and that is one reason why consumers may not spend as liberally as they did in recent years. Countering this trend toward a little more caution in spending, on the part of wage earners, is an almost certain reduction in personal income taxes in 1956. Both political parties now seem to be agreed on some reduction.

Government Spending

Along with business expenditures and consumer expenditures, government spending must be added to make up the total.

Federal Government expenditures have been stable at about $45 billion during the past year. It appears now that they will remain at about that level through 1956. State and local governments will probably continue the trend of increasing expenditures. If that trend continues they will spend about $32 billion in 1956 as compared with about $30 billion in 1955. Total government expenditures are likely to be about 3% higher in 1956. Their over-all influence will be one of stability.

Prosperity and Psychology

An appraisal of the basic fundamentals of this prosperity shows them to be sound and in good balance. Business should continue to be very good in 1956. Comparing an estimate for 1956 with 1955, the all-important business spending will be larger, perhaps 7% larger. The income of consumers will be larger but they will not spend as freely, and especially they will borrow less money to spend than they did in 1955. Business competition will become more keen, and profit margins will narrow a little.

All these conditions taken in combination mean that 1956 will be as good a year as 1955 and probably a little better. But one most important ingredient hasn't been mentioned. That is, much depends on the continuation of a confident attitude in the minds of consumers and businessmen. On this really depends whether the trend will continue as it has been, rise faster, or turn down.

It was earlier mentioned that the trend of prices and the interest rate structure could have an important influence on the business pattern.

Prices on the whole have been quite stable now for about four years. Farm prices have been in a definite downtrend. Rents have been rising, but the cost of living has been quite steady. From time to time we hear that inflation is still a definite threat. We hear that from official government sources.

Monetary Balance

There is a growing body of opinion in this country that this prosperity can end only in one of two ways. The first one is that business is now so good that there is a real danger of overconfidence developing that could readily lead to a super-boom period with sharply rising prices, shortages, and inventory speculation. That development could only lead to a breakdown and depression. The second way is to have a decline of size in the money supply, which is generally considered to be the total of money in circulation and demand deposits in banks. A sizable decline in the money supply obviously brings on forced deflation. The official viewpoint is that if both of these developments can be avoided, this prosperity can last a long time.

The Federal monetary authorities have the task of avoiding both of these conditions. Their monetary moves should be watched closely by all businessmen, and by consumers also. They have a very difficult job. Certain skills and techniques have to be developed, and occasionally they make a slip in that line as they did in the early Spring of 1953. But the main thing that makes their job so difficult is that they, too, have to guess about the continuation of the mental attitude of businessmen and consumers.

"Prosperity Without Inflation"

The Federal Reserve Board and the Treasury together determine monetary policy. Through its operations the Federal Reserve Board can influence both the cost and the availability of bank loans to customers of banks. Through debt management the Treasury, working in coordination with the Federal Reserve Board's credit policy, can also affect the cost of money and the flow of credit. They, particularly the Federal Reserve Board, are charged with the responsibility of carrying out a policy that will make for full employment with stable prices. That means prosperity without inflation. A basic part of their policy is that their operations are flexible. If business is rising at a high level and threatening inflation, they will make the amount of loanable money at banks more scarce and more costly. But if they think business is going to decline noticeably, they will reverse their operations and encourage bank customers to borrow.

These monetary operations are a delicate mechanism *with delayed action.* Major monetary moves seem to have an effect on the economy some six to nine months later. Money borrowed by a business concern from a bank usually does not affect the economic stream for several months.

Since the early part of 1955, the Federal Reserve Board has gradually developed a policy toward restricting the use of bank credit.

It was really a neutral policy at the start of the year. As the year progressed, several moves were made toward making credit less plentiful. In recent weeks, the banks of the country have really begun to feel the effect of this action. This does not affect all customers of banks alike. It is the marginal borrower that gets left out; the one that is not a prime risk.

This monetary policy, and the way it is carried out in the next few months, can have a very pronounced effect on the level of business in 1956. The money managers may play the decisive role in shaping the trend of business activity.

Warning on Credit Policy

I believe a continuation of the policy of making money tighter from this point on would prove to be unwise. Enough has been done toward making money difficult to borrow and raising its cost to avoid any general rise in prices that could be called inflationary. If further moves are made in tightening money I would expect a down-turn in business in the second half of 1956 that might not be easy to stop.

The record of the money managers, on the whole, has been very good in recent years. It is a most difficult job since they have to deal, in part, in intangibles. We all hope their good record holds out for a long time. They are facing up to the challenge of keeping our country prosperous with the initiative and virility of private enterprise in the driver's seat, and with the benefits spread over the whole of the population.

Because it is a custom at this annual meeting, I will venture some purely personal estimates about business in 1956.

Predictions

The production of all goods and services, which were about $386 billion for 1955, will increase about 4% to around $400 billion in 1956. The several major sections of the economy are in good balance and business should stay at a high level. Any decided change in the trend to downward must come from an unexpected shock that would sharply upset confidence, or from a monetary policy that makes money so tight as to be practically unavailable to new borrowers.

Construction will make a new high in 1956 for the tenth successive year. Residential construction will be down about 6%, which is a rather modest decline from the record level of this year. All business construction will increase about 7%, and the total of Federal, state, and local government construction will increase about 5%.

Personal income of all individuals is estimated to rise about 4% over the level of 1955.

Consumer prices, or the cost of living, will remain about unchanged. There will be no fears of inflation on the part of consumers.

Both business purchases and government purchases will be higher in 1956, but total consumer purchases will do well to duplicate the level of 1955. Both consumer and business inventories will increase some and be considered "on the high side" before the end of 1956.

Gen. Inv. Corp. of Ariz.

PHOENIX, Ariz. — General Investment Corporation of Arizona has been formed with offices in the Security Building to engage in a securities business. Officers are Paul H. Primock, President; John C. Funk, Vice-President; Albert C. Funk, Secretary-Treasurer, and Charles H. Burton, Assistant Secretary-Treasurer.

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As We See It

receipts and expenditures" is better than one unbalanced at this level of taxes, to be sure, but what we need, and what we must have if we are to continue our course along the route laid out by American tradition and American experience, is a budget balanced at a reasonable level of receipts and expenditures. Indeed, we must have such a budget which shows a substantial surplus year after year if our national finances are to be restored to soundness. The proper relation between intake and outgo is, of course, of vital importance, but it is certainly not the only consideration. It is quite possible to conceive of the country going over into a socialistic state with a balanced budget all the way. The volume of public expenditures or receipts is a rough measure of the degree in which Government is reaching out unduly into the private affairs and lives of the people. A budget of the size now proposed by the President is certainly not likely to allay fears on this score.

Less Enthusiastic

On several other counts, too, we find ourselves much less enthusiastic than the President. It is evident throughout this document, as it is in general, that the technique of preparing budgets which do not fully disclose what is going on in the field of government finances is being more and more perfected and more and more practiced. For this, perhaps, the business community itself is in part to blame. It has, for example, become popular to make much of the so-called cash budget at the expense of accounts which tell a more comprehensive story about what is going on in Washington. These statements which take into account only receipts of cash from and payments of cash to the general public are often said to be the best measure of the impact of governmental operations upon the economy—as if it made no difference what commitments were being made for the future.

This general attitude on the part of the public encourages a good deal that otherwise might be avoided to the inestimable advantage of us all. Continuing appropriations we have always had with us, although they had never been so extensively used (or, should we say abused) prior to the time the New Deal arrived on the scene. "Obligational authority" is a relatively new term used for the act of committing the nation to expenditures which may not show up in any budget figures for at least a year, and which often do not have their full impact for several years. The President in this budget document is asking for some $50 billion of "new authority to incur obligations," and says that more is to come. Such "authority" in the current fiscal year by enactments prior to this session of Congress came to some $62 billion. The corresponding total of fiscal 1957 is now estimated at $66.3 billion.

All this is, of course, possible along with estimated surpluses in 1956 and 1957 by reason of the fact that a great deal of the funds involved in these authorizations will not be expended in those years. The Mutual Security Program account is an outstanding instance of this sort of thing. Some $4.9 billion of new obligational authority is asked as compared with $2.8 billion in 1955 and $2.7 billion in 1956. Something less than one billion is listed for expenditure in the fiscal year ending June 30, 1957, and none at all in the current fiscal year. In the form in which the accounts are presented to the public in the budget message, it is impossible to trace out such relationships in most of the other instances, but there can not be the least doubt that the proposals in this budget will tend very definitely to commit the Government of the United States to very large outlays in the years subsequent to 1957.

What is not always understood is that reduction in expenditures several years hence must be planned now. When the fiscal year, 1958 or 1959, comes up for consideration, it will be found (if we continue as is now scheduled) that our hands are tied by obligational authority granted this year. But let the President explain this sort of situation: "Before any budget expenditures can be made," he says, "the Congress must first authorize Federal agencies to incur obligations. This authority, ordinarily provided in the form of appropriations, may or may not, lead to the immediate expenditure of funds. In the case of salaries and purchase of supplies, the expenditures will ordinarily follow closely the incurring of the obligation. For other items such as ships, aircraft, and complex military equipment, the expenditure may follow the incurring of the obligation by several years.

"Unexpended balances of appropriations carried over from prior years ran to nearly 80 billion dollars when this Administration took office and represented an enormous backlog of commitments for which expenditures had to be made in the fiscal year 1954 and subsequent years. These balances represented, in effect, C.O.D. orders which had to be paid for in cash when the goods were delivered and constituted a heavy overhanging load for the budget on top of the appropriations being enacted currently."

Still a Long Way to Go

We must give the Administration credit for substantially reducing the size of these carry-over obligations. They come now to some $50 billion, the President tells us. But apparently the Chief Executive is now willing to have them rise again, and, of course, not all of them are related to so-called long-lag military items. We are not now beginning, as we should, to reduce outlays either during the coming fiscal year or in the years that immediately follow. Then, of course, there is that road program which the President is still trying desperately to keep from being reflected in the budget, and there are the enormous contingent liabilities of one sort or another which draw scant attention in the budgeting process and still less from the general public. We still have a long, long way to go before reaching a point of financial public health.

Further Expansion in 1956 Viewed Unlikely

Professor Backman foresees probable slower rise of economic activity in 1956 followed by a mild downturn. Counter-balancing changes in the composition of Gross National Product expected to create a "broad sidewise movement."

Dr. Jules Backman, Professor of Economics, New York University, told the United States Brewers Foundation, Inc., in New Orleans Jan. 19, in the course of a general description of probable economic changes, to expect that a downturn is in the offing. Before devoting part of his talk to the economic picture of the beer industry, he explained that:

Jules Backman

"Economic activity should show little change from the current level in the months ahead and then turn down later in the year. Because of the steady rise in volume during the 1955 boom, a continuation of Gross National Product at current levels would mean that the total in the Spring of 1956 would be about 4%-5% higher than in the Spring of 1955. As the year 1956 progresses, the spread as compared with last year will probably narrow."

Dr. Backman noted that "the rise in economic activity seems to be losing its steam. In the early part of 1956, a broad sidewise movement seems probable. During this period, the expansionary forces will include high disposable income, high level investment in new plant and equipment, rising inventories, increases in state and local expenditures, and increases in nonresidential construction. These should compensate for the lagging tendencies in automobile production, residential building, and farm income."

Professor Backman stated, "It is difficult to visualize much further expansion in the economy at this time in the face of the declines taking place in automobile output and housing. Some time in 1956, a downturn in total economic activity is probable. The uncertainties attending the Presidential election could contribute to this decline. However, the decline should be mild as in the 1948-49 and 1953-54 recessions."

"Consumer credit increased almost $6 billion and mortgage credit by more than $12 billion in 1955," Dr. Backman stated. "These increases in credit were at the rate of about 17%. Such a rate of increase in credit cannot long be sustained without creating serious problems. The much slower rate of increase in credit which seems probable in 1956 should contribute to the slowing down in economic activity during the year."

"While some price increases have already taken place and other scattered increases will be reflected in the Spring offerings, I do not anticipate any significant price inflation this year. The increase in minimum wages will affect costs in a number of textile lines and result in some pressure on those prices. On balance, however, any price rise in 1956 should be kept within narrow limits."

"Consumption of beer per capita for persons 21 years and over has been declining from the peak of 26.1 gallons in 1945. In 1955, the rate of consumption was 23.3 gallons. Expenditures for beer declined from 2.4% of total disposable income in 1947 to 1.8% in 1954. If the 1947 rate of consumption were recovered, total beer sales would rise by $1.0 billion."

Dr. Backman pointed out that "while beer sales were not expanding as rapidly as the economy, wages paid by the industry continued to rise sharply. For example, in 1939, weekly earnings in the malt liquor industry were $11.15 higher than in all manufacturing, in 1945 the spread was $8.73, and in September, 1955, it was $21.74, the widest on record. Similarly, hourly earnings were 29 cents higher in 1939, 14 cents higher in 1945 and 58 cents higher now. At the same time, the so-called fringes including holidays, vacations, etc., are among the most liberal in the country."

Eley M. Estes Opens

ARLINGTON, Va.—Eley M. Estes is engaging in a securities business from offices at 733 North Vermont Street.

Weil & Doyle to Admit Block & Van Raalte

Arthur Van Raalte and J. Horace Block, both members of the New York Stock Exchange, on Feb. 1 will be admitted to partnership in Weil & Doyle, 30 Broad Street, New York City, Exchange member firm. Both are partners in Block & Van Raalte which is being dissolved.

Bliss & Co. Partner

On Feb. 2, Bliss & Co., 29 Broadway, New York City, members of the New York Stock Exchange, will admit Florence L. Lowy to limited partnership.

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Present Currency Problems In Foreign Trade

the country and German and French financial groups have started to move in—as they never have been expropriated there before.

The Caribbean Countries, Cuba, Dominican Republic, Haiti, as well as the different British Isles, have no currency problems. Most of them, members of the Dollar Area, will remain excellent customers of the U. S.

Chile is a rather complicated case. Politically unstable and faced with huge social problems which only stem from inflation, the country is in economic confusion. As 60% of her exports are copper and 13% nitrates, both excellent commodities in boom periods, the country should be able to have orderly finances. But for multiple political reasons, Chile has to live on banknote printing, the end of which is not yet in sight. But here, just as all over South America, German, French and other financial groups are moving in, taking real risks and hoping for considerable long-term profits in manufacturing products that at present are imported from the U. S. and Canada.

Central American Countries, Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama, have no currency problems for the time being. U. S. exports, favored by the geographical location, are not in danger. But German, British and, to a lesser degree, Japanese competition is going to be felt there by the American exporter.

Colombia, a country importing about 67% of all its foreign needs from North America, has overbought during recent years. The decline of coffee prices forced her to reduce her Peso value and to reform the currency structure. Industrialization projects have gained shape and are bound to produce many goods which were imported until now. But the road to industrialization is long. The financial administration is good, debts have always been paid, even if slowly.

But here again, German and French groups have started to move in and protective tariffs will soon discriminate against products that are made in this country. The outlook for U. S. exporters nevertheless remains good.

Ecuador's imports are going to continue to come to about 60% from North America. Currency risks are small. Competition of German exporters will grow.

Paraguay: Only about 20% of Paraguay's imports come from the U. S. Other countries are making headway in Paraguay, whose cotton we do not want to buy. Western European and Yugoslav trading with Asuncion is increasing and will continue to grow.

Peru, also a cotton exporter, shows declining American imports and rising imports from Western Europe. Her currency, one of the best managed in South America, gives no reason for worry. German, French and British groups are expanding their production and financial organizations in Peru.

Next in importance are the:

Continental countries of the **European Payments Union,** which buy 18% of our exports and, at the same time, account for 14% of our imports. Not all E.P.U. countries sparkle with economic solidity.

Only Portugal has an active trade balance with our country. The heaviest deficit countries in their trade with America are Greece and Turkey. But the Western European countries, all, as I said before, in strong monetary position, can afford to import more from the U. S. than they ship to us.

They beat us in the Sterling Area, in Latin America, in Asia and in many other parts of the world. And, furthermore, they have become masters of the clearing trade, which you may call "switching." We are not familiar with it.

Western Europe is on the commercial offensive, does not insist on Dollar payments, will accept any clearing, any long term payment, and does not try to dictate conditions of delivery, packaging, shipping, etc. A machine manufacturer in a small West German or Dutch city, corresponds with his customers in their language, sends his sales literature in their style, and on top of all that, generally underbids the U. S. exporter, who can only state that U. S. quality is better. This seldom means anything to the bushman in Brazil or in French Equatorial Africa.

Of course, there are a few E.P.U. countries that are not very solvent. Greece and Turkey are such examples. But in Greece, far from our shores, German and French financial groups have already started to build new factories for consumer goods.

The Situation in Turkey

In Turkey, the picture is somewhat different. Four months ago, I had to go to Istanbul. Landing at the airport at night—one of the cleanest I have seen in a long time—we drove to town. After a few miles, a gigantic neon sign overwhelmed the landscape. In about 30 foot size letters was the word "KRUPP." Two miles farther towards Istanbul, we saw a small neon sign of International Harvester. This is a symbolic story, which you might think over.

Turkey is in financial doldrums. We have poured hundreds of millions of Dollars into the country. But Germany, faster on the trigger, can take Turkish wheat and cotton in surplus years, and give longer credits for locomotives, machines and all kinds of consumer goods.

The Sterling Countries, united by the now strong Pound, have a real Dollar shortage. They would like to buy much more from the U. S., but cannot. We export 30% less to the whole Sterling Area, than to the Continental E.P.U. countries.

The Commonwealth Nations have an active balance of trade with us, but their balance of payment with the U. S. still runs a deficit. Currency prospects for the Pound are good. There will be no devaluation, Whitehall says, and I believe Sterling is a good risk today.

Furthermore, Britain's Transferable Sterling, resulting from trade balances of and with non-Sterling Area and non-Dollar Area countries has become the world's leading trade currency, having a much wider radius than the U. S. Dollar.

Giving commercial convertibility to a large slice of international trade at a discount of about $1\frac{1}{2}\%$, Transferable Sterling has become popular and even if not too well known as yet in the U. S., we have slowly started learning how to use it. But, unfortunately, many of you have not yet penetrated its very simple secrets of trading. Do not blame me for it, blame your banking connections.

Among other European countries:

Spain might become a better field for U. S. exporters. We are dumping hundreds of millions of Dollars into this country. Customers there are old-fashioned; most of them do not read English, but have a metrical system.

However, they will have Dollars, if we know how to sell them and if we want to take risks. Unfortunately, there too, other nations are fast to get the business.

We have to build bases. A German construction firm, eager to get this business, offered our government very advantageous conditions. They were willing to accept U. S. surplus goods, instead of Dollars. American organizations are unable to compete with such offers.

Yugoslavia, financially rather sick, has made important industrial progress. Shipments of many goods to Belgrade could not be made for cash. But, after overcoming a lot of problems, merchant bankers of means decided to finance such deals by accepting Yugoslav central bank drafts due in 12 months.

The interest rates were high, between 16% and 18% p.a. But Belgrade paid for it indirectly, got her goods and paid on time. Such dealings, not acceptable to commercial banks in the U. S., nevertheless, kept our trade with Belgrade going.

I am afraid that I did not show you how to make an easy export sale or how to make a quick Dollar.

And I am just as sorry that I have to tell you a little more about export hurdles that are already showing up in the streams of international trade.

Therefore, let us have a general look at

The Iron Curtain Trade Prospects

Before going into it, let me tell you, in order to avoid all later misunderstandings, that I am not a politician, not a member of the Communist Party and no sympathizer either. I am a capitalist and as such, I do not believe in the blessings of collectivism. But, I also cannot close my eyes to the nearly daily progress of Iron Curtain trade all over the globe, with the exception of the U. S.

Whenever I read the reports of my correspondents, or the very factual reportings of Western European financial publications, giving new details on Soviet or Satellite dealings with capitalistic countries, a recent Russian statement comes to my mind.

A. I. Mikoyan, First Vice-Chairman of the Presidium of the Supreme Soviet of the U.S.S.R., declared "Communism travels without passport and without fingerprints . . ."

And you may believe it — it travels fast. The Communist trade offensive began as early as in 1946. At that time, Russia began to plan for it. First it put the Ruble into shape domestically. Then it created the Ruble Area, linking all Satellite currencies to the Soviet's monetary unit, a job that was finished in June 1953.

This was followed by a streamlining of her trade relations with the Satellite countries, in order to give Moscow all the priorities she needed. Systematically, progress was made from a trade blueprint. Urgent consumer needs ranged behind the increase of steel capacity and of hydraulic engineering.

Since 1952, the trading volume with the outer world began to rise.

Moscow gave the green light to the Satellites, to buy abroad what they could not get from the Soviet Union, if they could get it by barter, by clearing deals, or if they could afford to pay without jeopardizing their deliveries to the U.S.S.R.

The system worked. It worked principally for the reason of prompt payment of the Satellites. The Soviets always paid cash, and often better prices than other countries. After the first footholds in capitalistic countries were established and payment punctuality widely advertised, the Satellite countries started to look for trade credits.

Late in 1954 the Ambassador of an Iron Curtain country came to my office for a consultation. He asked me whether I believed that his country could find $20 million worth of U. S. cotton and $20 million worth of surplus wheat, on a 12-month credit basis.

I immediately got in touch with our authorities, who told me that from an official point of view such a transaction most probably would not be opposed, but that no credit would be given.

After having contacted the principal grain and cotton shippers, I had to advise the Ambassador that nothing could be done for him in the U. S.

Canada, on the contrary, rolled out the red carpet for him. And so did Brazil. Since then, about 200,000 tons of surplus wheat were sold on credit by Canada, France and Australia, and considerable quantities of cotton were supplied on credit by Brazil, Peru, Pakistan, etc. All credits were punctually paid so far.

But we still have our surplus wheat and surplus cotton.

After this offensive in 1954-55, the Communist traders became keener. Their domestic industrial productions were rising everywhere. They had to give more consumer goods to their population, totaling 960,000,000 people, or 40% of the world's inhabitants.

In the meantime, their foreign trade executives had learned how to deal with currency problems, white, gray or black, clearing dealings, swing credits, barter transactions and credit details.

They learned the hard way, but they learned it well. Today, these men know much more than many managers of foreign departments of our leading banks. Because, if they would not, they would lose their capitalistic privileges of cars, apartments, education of their children, etc.

They also learned to make payments very promptly in order to maintain their trade standing and in order to make transactions with the Ruble Area highly desirable for capitalistic suppliers.

The orbit's trading with South America rose since 1952. It reached an all time high in 1955. Satellite trade with the European Payments Union increased constantly since 1952. Trading with the Near East began to increase in 1953 and during 1954 trading with the Dollar Area — not the United States—became more active.

I already mentioned the wheat transactions with Canada. Next were the purchase of 600,000 tons of Cuban Sugar by Russia in 1955 and another 200,000 tons a few days ago.

Also during 1955, the Soviets made their political peace with Yugoslavia and pair them $100,000,000 in goods for "damages" they supposedly caused to Belgrade's trade when Stalin broke with Tito in 1948. Naturally, Yugoslavia's trade, until 1955 mostly based on U. S. support, became more independent.

Also a political master-stroke was the Soviet tactic to buy any surplus goods that the U. S. could not absorb. Surplus rice in Burma; surplus cotton from Egypt and Brazil; surplus wool from Argentina or Uruguay; surplus sugar from France, all were bought and paid for either in clearings or barter.

But these purchases made new friends and showed Moscow as a saviour. It also made the ruling classes of these countries more receptive for other trade propositions of the Iron Curtain countries.

Our trade with the Soviet Orbit in 1955 will not have exceeded $60,000,000, or about $\frac{1}{2}\%$ of the Orbit's total foreign trade. And I do not believe that this figure will double in 1956.

In order to give you an as factual as dramatic picture of the Iron Curtain countries' world trade offensive, I will read to you from my list of major trade treaties between the collectivistic and capitalistic world in 1955.

Major Events of 12 Months in 1955

January

U. S. S. R. proposes bilateral trade treaty to Brazil.

U. S. S. R. gives a credit of 40,000,000 gold Rubles to Finland.

Poland and France sign a $23,000,000 trade agreement.

February

Czechoslovakia and Western Germany — $46,000,000 clearing treaty.

Czechoslovakia and Argentina—$64,000,000 clearing treaty.

April

Hungary and Belgium conclude a barter agreement.

East Germany and China—$20,000,000 electric power plant delivery.

May

U. S. S. R. & Rumania—Barter treaty with Egypt for delivery of crude oil against cotton.

Poland and Egypt—$12,000,000 clearing treaty.

U. S. S. R. sends trade mission to Argentina.

June

Bulgaria and Britain negotiate trade and payment agreement, repayment of Bulgarian debts in U. K.

U. S. S. R. and Israel concluded barter deal. Israeli citrus fruit-Russian crude oil.

July

China-Japan barter deal of $168,000,000 of all products.

U. S. S. R. and Norway—$34,000,000 bilateral trade and payment agreements.

U. S. S. R. and China—bought rubber in Ceylon.

August

U. S. S. R. and Austria—$150,000,000 of Austrian products to be delivered over the next six years.

Czechoslovakia and Canada — $3,000,000 of Canadian surplus butter sold.

U. S. S. R. and Malaya—17,000 tons of Malayan rubber sold.

September

France started dealings in Polish, Czechoslovak, Hungarian, Rumanian clearing Francs, all orderly completed.

U. S. S. R. and Egypt — barter deal of 500,000 tons of Soviet oil against 60,000 tons of Egyptian rice.

U. S. S. R. and Iceland—trade agreement for Icelandic fish products against Russian machinery.

October

Trading of Satellite clearing balances increases in Vienna.

U. S. S. R. and Austria—$50,000,000 trade agreement, Austrian industrial products against Soviet raw materials.

November

U. S. S. R. and Syria—Moscow offers building of oil refinery on credit.

China and Malaya — Chinese agents infiltrate Malayan banks with large deposits, buy shares of industrial and commercial organizations in order to press for more trade with Peiping.

U. S. S. R. and Yugoslavia—increased trade treaty from $40,000,000 to $70,000,000 and prolonged agreement for three years.

Hungary and West Germany — enlarged trade agreement.

Hungary, East Germany, Bulgaria and Rumania concluded clearing treaty totalling $8,000,000 with Japan.

Iron Curtain trade with Egypt rose to $127,000,000 p.a. or 18% of Cairo's foreign trade.

December

U. S. S. R. and India — Moscow contracted to deliver 150,000 tons of steel; will sell 1,000,000 until 1958.

China and India—Peiping sold 60,000 tons of steel for 1956 delivery.

China and Italy started trade negotiations.

Chinese trade delegation arrived in Yugoslavia.

Poland and Yugoslavia — concluded a $28,000,000 trade agreement.

Czechoslovakia and Norway signed a $18,000,000 trade agreement.

Rumania started trade negotiations with France.

China and Syria signed a trade and payment agreement.

U. S. S. R. and Afghanistan — Moscow granted a $100,000,000 credit to Kabul.

U. S. S. R. and Austria—a $32,000,000 credit for Vienna is under consideration.

U. S. S. R. and Sweden signed a $30,000,000 trade agreement.

Poland bought $5,000,000 worth of Australian wheat on 12 months credit.

China — Uruguayan trade delegate arrived in Peiping.

As you may have been aware, the number of conclusions of such treaties increased sharply since November of last year.

A new chapter of international trade history has started. I will not comment upon it. I will only stick to facts.

The sole conclusion from it is that the Red trade is another chapter in the masterplans of Communist expansion.

Biel Director

The election of Heinz H. Biel as a Director of Reading Tube Corporation has been announced by Martin Mack, President. Mr. Biel, is a partner in the New York investment banking firm of Emanuel, Deetjen & Company. He is also a Director of Progress Manufacturing Company, Inc. and Unette Corporation. Reading Tube Corporation is a producer of copper tubing and brass pipe primarily for use in the construction and appliance industries.

Heinz H. Biel

L. A. Exchange Investment Course

LOS ANGELES, Calif. — Brochures, describing in detail the Los Angeles Stock Exchange Community Investment Course to be held at Redondo High School, Feb. 9 through March 15, are now being made available to the general public, it was announced by the Exchange.

There will be no admission or registration fee for the six-week investment educational series which will feature top speakers from the investment field.

Brochures are available at the Exchange or at Redondo High School.

School officials request that in order to facilitate enrollment, adults can pre-register by sending a stamped, self-addressed envelope to: Adult Education Dept., South Bay Union High School, 207 N. Francisca, Redondo Beach, Calif.

Sponsors for the series include the Redondo Beach, Manhattan Beach and Hermosa Beach Chambers of Commerce.

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Churning

diction of the Commission and limit its rule making power so that such jurisdiction will not be enlarged by the S. E. C.

Let us suppose that a broker does have a discretionary power from his customer, at what point would he be churning the account? After how many transactions? After what volume? Must he ascertain the nature and extent of his customer's complete securities portfolios, his financial standing? What if the customer will not furnish this information? Should the broker refuse the discretionary power? If he does get this data, where does churning begin? What relation must the trading bear to the portfolio and the customers' financial status in order to avoid churning. Where is the line of demarkation? The nature of transactions, whether in investments or in speculative securities, what bearing has that?

We wish it were possible to give clear and positive answers to all of these questions, but who can? These queries serve to illustrate the difficulties with which the subject is beset.

What is reasonable? The courts refuse to define it. We must look to the facts in each case to make that determination. What is churning? Similarly we must look to the facts in each case.

Here is a field in which there are no guide posts that can be regarded as absolute, positive and certain. Let the broker-dealer beware. Woe betide him if the S. E. C. is on the prowl for his hide.

We make it a rule not to mention counsel in cases we discuss, but, because of the thoroughness of the job revealed by our investigation, we are glad to make an exception. The successful defendants had as their counsel Mr. Pinkham of the New York firm of Colton & Pinkham to whom the securities industry owes a two-fold thanks. First for getting a judicial expression on the difficult subject of churning, and finally, for rendering totally ineffective the needless and inexcusable intervention of the S. E. C.

Atlas Plywood Corp. Debentures Offered

Offering of $3,000,000 5% sinking fund debentures due 1971 and $3,000,000 5½% convertible subordinated debentures due 1975 of Atlas Plywood Corp. was made on Jan. 24. The 5% debentures are priced at 100% and are being offered by Van Alstyne, Noel & Co. alone, while the 5½% debentures also are priced at 100% and are being offered by an underwriting group headed by Van Alstyne, Noel & Co.

Through an exchange offer, the company has acquired 86.4% of the outstanding stock of Plywood Inc., which has become a consolidated subsidiary of the company. Atlas is now in a position to integrate the operations of Plywood more closely with its own and to provide more adequately for the financing needs of the subsidiary and itself. Accordingly, Atlas deems it advisable to redeem the outstanding funded indebtedness and discharge the bank loans of Plywood Inc. and to provide additional funds for the operations of the integrated enterprise.

Funds from the sale of these debentures will be advanced to Plywood Inc. to discharge $1,000,000 principal amount of 4¼% serial notes (due 1956 to 1958), to discharge $100,000 principal amount of 3¾% notes, and to redeem $1,318,500 principal amount of 6% sinking fund debentures, due April 1, 1963. The balance will be added to the company's working capital.

The new debentures may be redeemed, regular way, at prices ranging from 105% to par. Sinking fund redemptions will be made at par, plus accrued interest in each case. The subordinated debentures may be converted at any time on or before Dec. 31, 1965 into common stock at an initial conversion price of $12 per share of common.

Atlas Plywood Corp., with 21 manufacturing plants now in operation, is one of the largest manufacturers in the United States of plywood packing cases, hardwood plywood panels, and hardwood flush doors. In addition it is one of the leading producers of fruit, berry and vegetable baskets and packages. The company also makes and sells cleated corrugated paper packing cases and wirebound containers. In the fabrication of most of its products the company performs a completely integrated process of manufacture from the log to the finished product.

Plywood Inc., the largest subsidiary of the company, is a distributor of hardwood and softwood plywood products of its own manufacture as well as a distributor of plywood products manufactured by others. It operates two softwood plywood mills and one hardwood plywood mill.

Other members of the underwriting group offering the 5½% convertible subordinated debentures are: A. C. Allyn & Co., Inc.; Goodbody & Co.; Hayden, Stone & Co.; Johnston, Lemon & Co.; Bateman, Eichler & Co.; Dempsey-Tegeler & Co.; Lester, Ryons & Co.; Prescott, Shepard & Co., Inc.; Scott, Horner & Mason, Inc.; Bioren & Co.; Boenning & Co.; H. M. Byllesby & Co. (Inc.); Halle & Stieglitz; A. M. Kidder & Co.; Saunders, Stiver & Co.; Starkweather & Co.

S. C. Wilson Forms Co.

GLOUCESTER, Va.—Stewart C. Wilson is engaging in a securities business from offices here under the firm name of Wilson Investment Company. Mr. Wilson was previously with Anderson & Strudwick in Richmond.

Public Utility Securities

By OWEN ELY

Arkansas Louisiana Gas Company

Arkansas Louisiana Gas is one of the two surviving companies of the former holding company system headed by Arkansas Natural Gas, which was controlled by Cities Service (the other being Arkansas Fuel). Cities Service sold its 53% equity interest in Arkansas Louisiana to the W. R. Stevens Investment Company of Little Rock, Ark., at $12.50 per share at the end of 1954.

Arkansas Louisiana is an integrated natural gas company engaged in the production, purchase, transmission, and sale of natural gas in Louisiana, Arkansas, and Texas. The company produces from its own property some 20% of its gas requirements and purchases the remainder. It distributes gas at retail in 148 communities with an estimated population of 1,000,000. Customers include 214,000 residential, 28,000 commercial, and 2,000 industrial and other. Total gas sold has increased from 114 billion cubic feet in 1949 to 185 billion cubic feet in 1955.

The company's domestic and commercial load has increased materially but the rate of growth of its industrial load has been much greater. At the end of 1955, the company's industrial load was 72% of the total load, while the natural gas industry as a whole has an industrial load of approximately 56%. Sales to large industrial customers are subject to a greater risk of fluctuation than sales to domestic and commercial customers. Difficulty has been experienced in obtaining recognition of this extra hazard of service from state regulatory commissions. In 1955, however, after a proceeding before the Arkansas Public Service Commission, a favorable decision was obtained allowing the company an 8% return on the investment used in serving 32 large industrial customers within the state.

The company's primary industrial load is in Arkansas. It includes several plants of Reynolds Metals and Aluminum Company of America; also International Paper, Lion Chemical Division of Monsanto, Columbian Carbon, Minnesota Mining & Manufacturing, and a number of oil refineries, glass plants, brick companies, etc.

Industrial expansion is continuing at a rapid pace. The company has in prospect two cement plants, a paper mill and a number of smaller industries. A government survey has highlighted the area for potential growth of the petrochemical industry, which requires large volumes of natural gas. The company is now considering the possibilities of entering the petrochemical field.

During the period 1949-54 inclusive Arkansas Louisiana Gas invested some $60,000,000 for additional facilities to take care of the rapid growth in number of customers and the increase in gas requirements. The construction program was completed in 1954, approximating $11,000,000 in that year; capital investment in 1955 was reduced to about $5,000,000 and in 1956 will be about the same. A $5 million bank loan has been paid off and no financing is likely in 1956.

W. R. Stevens & Company early in 1955 instituted an investigation of the company's financing, operations and personnel, with a view to reversing the five-year downward trend in earnings. During the past 14 months the company has reduced its personnel from about 2,200 employees to 1,800 without curtailing service.

Share earnings had declined steadily from 85¢ in 1950 to 46¢ in 1954, but in 1955 the downward trend was reversed and share earnings of $1.07 were reported.

President Hamilton is optimistic regarding 1956 prospects, and in a recent talk before the New York Society of Security Analysts stated: "The increase in rates to large industrial customers was not put into effect until April, 1955, hence the gross revenue from this source will increase in 1956. We have a rate proceeding pending in the State of Louisiana which should add materially to our gross revenues. We are continuing our efforts to decrease our operating and other expenses. For these and other reasons I can give you every assurance that the net income per share will increase in 1956 over that realized in 1955."

The company has placed great emphasis on the need for long-range supplies of gas and has pursued an active program of development and acquisition of reserves. It now has approximately 4¼ trillion cubic feet of gas reserves in place, of which about 20% are owned and the remainder controlled under long-term purchase contracts. It is estimated also that the company has 1,600,000 barrels of proven oil reserves.

The Public Service Commission's comment in its precedent-making decision said, in effect, that it was all-important that the company be assured sufficient revenues to enable it to acquire new gas reserves to replace those being consumed by large industries. As a sequel to the decision, the company is now negotiating five-year contracts with its large industrial customers providing for a firm supply of gas at a firm rate. In December and January it signed such contracts with Reynolds Metals, Arkansas Power & Light and others. Governor Faubus has publicly stated that the signing of these contracts marks the start of a new era of industrial development for the state.

The company has paid dividends at the rate of 50¢ since the stock was distributed by Cities Service in 1953, and late in 1955 a 10% stock dividends was declared. An increase in the cash dividend is anticipated, probably to the extent of 65% or more of share earnings. A spin-off of the producing property was proposed some time ago, but encountered difficulties; the idea has not been abandoned, however. Eventually, W. R. Stevens & Co. will have to dispose of a substantial part of their interest. The stock has been selling recently around 19½.

To Be Harmon & Co.

Effective Feb. 1 the firm name of Risser, Harmon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will be changed to Harmon & Co.

Continued from first page

Variable Annuities Case Based on False Premises

will be failing in our social obligation. Moreover, we will have lost the drive which has accounted for the dynamic growth of the life insurance business.

However, in this quest there is always the need to define and determine clearly the nature of any problem, and then to distinguish carefully between mere aspiration and the cold objective possibilities of being able to solve the particular problem. In recent months some members of the life insurance business have also been singing a catchy new tune which might be entitled "Make a Variable Annuity Your Life Companion and Stop Worrying About the Cost of Living." With a title like that, such a song could climb quickly to the top of the Chartered Life Underwriters' Hit Parade, for its sales potential would be terrific. However, as you know better than I, selling life insurance or annuity contracts is a far different animal than plugging a hit tune. Hence, it seems pertinent "to give pause" and ask whether this song, too, expresses aspiration primarily, or whether it is really the gal we want to be married to for the rest of our lives?

The answer to that question, of course, lies first, in whether or not one accepts the premise that there will be a more or less continuous rise in the price level in the years ahead, and secondly, in the actual investment experience which might reasonably be achieved through the operation of the variable annuity plan. However, before examining and analyzing each of these two subjects in more detail, probably we should describe briefly the operation of the variable annuity plan.

Variable Annuity Explained

Although a variable annuity could be purchased by a single premium payment, it would usually be purchased by a series of periodic premiums extending over a series of years until retirement occurs and the annuity payments begin. During this accumulation period the premium payments are invested in common stocks as are the dividends received on the stocks and the buyer would be credited with a number of variable contract accumulation units. Each premium payment would buy a different number of units, depending on the market value of the stocks at a given time. Frequent market valuations of the stocks owned by the company would be made, thus determining the periodic values of the units. Hence, the dollar value of a unit would go up and down depending on changes in the market values of the stocks in the account. However, the importance of dollar averaging during both the accumulation and retirement periods is stressed strongly by the proponents of the variable annuity on the basis that an individual's funds are invested in stocks over a long period and fluctuations in stock-prices have little long-run effect.

At the time of retirement the accumulation in units is applied to provide an annuity of so many *units* (not dollars), fixed in number, payable periodically for the lifetime of the annuitant. Thus, the dollar amount of each payment would depend on the dollar value of an annuity unit when the payment is made. The dollar value of an annuity unit would change from month to month according to the investment results of the account, i.e., the experience of the account with respect to dividends received, realized capital gains and losses and the current market valuation of the stocks held. As far as mortality experience and expense experience are concerned, these might be guaranteed by the issuer as contrasted to the College Retirement Equities Fund or CREF plan now in operation, under which the value of the annuity unit changes to reflect mortality experience and expense experience, as well as investment results. However, regardless of whether the mortality and expense experience is guaranteed or not by the issuer, the principal element affecting the payments to the annuitant is the investment result which is not guaranteed. Hence, under the variable annuity contract the major part of the risk is shifted from the insurance business to the client. He will be the one taking the risk, not the insurance company. This would represent a major change from what our business has stood for in the past and from what it stands for today—i.e., the assumption of risk by the life insurance company.

Objective of Variable Annuity

Now what is the principal objective of the variable annuity? It represents an attempt to solve for annuitants the problem created by a decline in the purchasing power of the dollar, or in a broader sense the problem of a changing price level. This objective is very popular today because during the past 15 years we have experienced a substantial rise in prices, or expressed another way, a substantial increase in living costs. This situation obviously has worked hardships on those individuals living primarily on fixed dollar incomes and pensions. Moreover, with considerable talk of the possibility of further inflation in the years ahead, the subject of how to hedge against inflation has become a very popular current topic of discussion.

The proponents of variable annuities argue that a variable annuity which fluctuates with the stock market is better able to meet the problem of inflation on the premise that historical experience demonstrates that the cost of living and common stock prices will follow each other with reasonable closeness. It is alleged that financial studies going back 50 years or more show that "over the long term the prices of a large group of common stocks went up and down as the prices of commodities in general went up and down, although they sometimes went in opposite directions for short periods, and the value of the common stocks generally changed to a greater extent, both up and down." Thus, it is argued that a variable annuity will serve an annuitant better than a fixed payment annuity in safeguarding the purchasing power of retirement income. However, it should be emphasized that the premiums on a fixed payment annuity, being payable over a long period of time, reflect average dollar payments. To that extent the fixed payment annuity also provides a certain measure of protection against inflation.

There can be little doubt that the principal reason behind the current drive for variable annuities is the fear of further inflation. Other arguments are made such as the desire to achieve a higher investment return by investing in common stocks and participating in the growth of American industries, but these arguments were made in connection with the amendment of the New York statute to permit common stock investment *per se*, as one other element in a balanced investment program. Alone or by themselves these arguments would not justify the rigid type of common stock investment program contemplated by the variable annuity plan.

Questions Inflation Bias

Let us turn now to the two basic questions asked earlier. First, should we accept as gospel the premise that we are living in an "age of inflation," and can we expect in the future, as a matter of course, a more or less steady erosion of the dollar's purchasing power? The arguments of economists holding to this point of view would seem to be as follows. It is emphasized that as a nation we are committed under the Employment Act of 1946 to the objective of full employment and production. This will necessarily mean that the fiscal policies of the U. S. Government on balance will be inflationary and will involve a constant volume of government expenditures, deficit financing, the desire to maintain low money rates, subsidies to an increasing number of "depressed" groups in our society, etc. In the words of Professor Slichter, it is only natural to expect that politicians will find it easier to authorize expenditures than raise taxes. These inflationary pressures in turn will be reinforced by the strong position of labor, which will insist increasingly on automatic escalators in labor contracts and on wage increases in excess of labor's fair share of increased productivity, with the result that stable costs and prices will be impossible to maintain. Thus, what we can expect in the future price trend and in business activity generally is a staircase pattern with rises during prosperity interrupted by intervening level or horizontal steps. In other words, under the "full employment" type of economy any business recession will be countered by governmental policies of an inflationary nature. Thus, business declines with falling prices will be brief, while business upswings will be allowed to run their course, with only very limited restraints placed on a boom.

As might be expected in the realm of economists and economic prediction, however, there is another school of thought which does not believe in the inevitability of continued inflation in the future. They recall that during the long depression of the thirties governmental inflationary policies failed to raise prices. Despite the lowering of the gold content of the dollar, pump priming and make-work projects, efforts to "reflate" the economy were futile. Confidence was lacking, and the government measures undertaken had very little effect in raising prices. Moreover, this school of thought emphasizes that looking back over the economic history of our nation, there has been but little inflation other than during war, and in periods immediately following war. Furthermore, it is stressed that in the atomic age another World War probably would mean complete chaos, with the result that it would be impossible for **any** financial program to really protect the individual.

As an answer to the inflationary stimulus of the "full employment" doctrine, this group of economists replies that under the Employment Act of 1946 the Federal Government is committed to employ its powers "in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities... and to promote **maximum** employment, production and purchasing power." Thus, unless it can be proved that a rising level of prices will provide more employment and production and contribute more to the general welfare than a stable level of the prices, the governmental agencies determining policies which dominantly influence the price level are committed to avoidance not only of deflation but also of inflation.

In this connection, it is emphasized that in Europe the working classes have been shying away from inflation like the plague and have been willing to have the boom slowed down and with it their wage demands, if this is necessary to avoid inflation. It is argued that all segments of our society (including labor unions and their leaders) are growing in social responsibility and that similar reactions by the American people are likely in the years ahead. Likewise, it is argued that increased productivity through research, automation, improved mass distribution methods, etc. will make possible real gains in purchasing power, which will be shared by labor, consumers and stockholders. Moreover, the ability of labor to command constant wage increases in the inflationary environment immediately subsequent to World War II is altogether different than today when the managements of corporations operating at high-breakeven points are greatly concerned with their corporations' competitive ability to pass on higher costs in the form of higher prices.

In conclusion, this opposing school of thought argues that aside from the impact of the outbreak of the Korean War (which has worn off) there has been no real upward drift in the price level during the past few years. Moreover, it is pointed out that since the middle of 1947 the Federal Government has pursued an anti-inflationary, but not deflationary policy, and the result has been far more stability in the price level than is generally realized. Hence, our economy today is one that is generally blessed with an abundant supply of goods and with that situation existing the inflationary aspects of World War II and Korea have run their course.

And so you pay your money and take your choice as to the course of inflation from this point on. Personally I have enough confidence in the wisdom of our people to believe that barring war, inflation can be held in check, but for discussion purposes, let us accept the first premise, i.e., the inevitability of further inflation. That assumption necessarily brings us to the second premise of the argument of the variable annuity proponents, namely that common stocks will serve as a hedge against a rising price level.

"Blue Chips" as Inflation Hedge

As an investment man I cannot help being concerned at the apparent limited attention given, so far as I have been able to determine, to the investment aspects or investment impact of variable annuities in the discussions to date on this subject. For your consideration today I would like to make five points relative to the investment heart of the variable annuity argument, i.e., that on the basis of historical experience common stocks will be a hedge against inflation or a rising price level.

(1) **The first point is that the premises advanced are "too pat" or "too easy."** Too many people are just repeating it parrot fashion that "more inflation is coming so buy common stocks and protect yourself!" In an ever changing financial and economic structure, investment people particularly have to beware of cliche or simple answers to the problems of preservation of capital and adequate investment return. Even if one accepted completely that the CREF and similar studies show a remarkably close correlation between past living costs and common stock prices (which I do not, since there were several periods of substantial duration when living costs were up and stock prices down and vice versa) one must still ask whether the future will duplicate the past. In pursuing a sound investment program one must always question whether the same economic forces will be operating in the future as in the past and in the same fashion.

The case for expecting a rising price level in the future (barring war) rests primarily on the combination of the "full employment" economic doctrine and the "built-in" inflationary demands of labor with the result, it is argued, that substantial depressions will be no more. Obviously, however, this would be an altogether different economic environment or setting than existed in the *laissez-faire* and gold-standard era which was inherent in most of the historical period covered by the CREF and other studies. This historical period was punctuated with several substantial depressions and long periods of depressed stock prices which naturally made for many opportunities for bargain buying in common stocks and a more favorable dollar averaging result.

However, if serious depressions are to be a thing of the past, and if we are also to change the economic environment by adding the element of a large scale institutional demand for common stocks, accelerated by the sale of variable annuities, then we have altogether different forces at work in the economy than were at work in this historical period cited in such studies. Moreover, this historical period used was affected by the inflationary price rises brought on by two World Wars and the Korean War, and it would seem extremely unlikely that any financial planning could be devised which could protect individuals from the consequences of three more wars in the next 30-40 years. Thus, I question whether past relationships in financial history would repeat themselves in the future.

(2) **The second point is that the variable annuity plan, as presently conceived, violates two fundamental principles of investment.** Thus (a) it is rigid and inflexible in the field in which the investments are made, and therefore, the fund will lack balance and diversification, and (b) it requires the constant purchase of a restricted segment of common stocks regardless of the price or the attractiveness of alternative fields of investment. Hence, there will be little room for the exercise of judgment.

Under the variable annuity contract the investment process involves concentrating exclusively on one specialized field, namely common stocks, to achieve the objective of maintenance of purchasing power of the dollar. This is contrary to the diversification principle of investment which argues that the best chance of achieving an investment objective is through a balanced program involving several forms or types of investment. In addition this exclusive field of common stock investment will be limited further in two ways (1) by legal requirements and (2) by investment prudence. Relatively few companies will be able to meet the requirements of the N. Y. Insurance Law for common stock investment, and even fewer the stringent investment tests which must necessarily govern any selection of stocks for such a fund. When an insurance company invests in senior securities it can use its investment experience and ingenuity in seeking "off the beaten path" securities which would qualify under professional investment study, and thus obtain higher yields. (**Example:** A construction issue of a new natural gas pipeline). But this could not be done when investing in equity securities because of both legal restrictions and the need to observe sound investment practice. Only the highest grade "blue chip" common stocks could be considered, for if one reaches for higher yields in equity securities ranking below top-grade the risks of loss are greatly magnified.

The rigid restricted area of investment also lends weight to the allegation which emanates from Wall Street and the Mutual Funds. The charge is made that the insurance agent would not be selling variable annuities but would for all practical purposes be selling common stocks, so that their sale should be regulated by the Securities and Exchange Commission. Proponents of variable annuities counter this charge with the statement that the sale of variable annuities is no more selling common stocks than the sale of fixed annuities constitutes selling bonds and mortgages. In a sense this is true since we are selling indirectly investments in bonds, mortgages and other forms of investment. But we are also selling a great deal more. Our products are backed up by investment judgment and experience which we utilize in investing funds under flexible policies in a wide alternative range of investment fields. One might include bonds, farm and city mortgages, preferred stocks, common stocks, housing, real estate and purchase-leasebacks. Each of these fields may be divided further as to type, industry and quality.

For example, in bonds we have U. S. Government, public utility, railroad, industrial, revenue and state and municipal bonds. Within each category we have a wide range of choice as to quality. The investment officers and finance committees choose the vehicles in these fields which produce the best return commensurate with safety and the life insurance and fixed annuity contracts are backed by no specific type of investment asset, but by many different types of investment assets.

Rigid Portfolio

In the variable annuities, on the other hand, there is none of this flexibility in the selection of investments and there is complete concentration on one specific form of investment to achieve the investment objective. The investment officer would have to select his investments from only the very highest grade section of the industrial and public utility common stock list. Moreover, in the case of variable annuities, changes in market value of the stock investments affect directly the return paid the annuitant, whereas changes in market value of the diversified invested assets backing the fixed annuities do not affect the return which is guaranteed. If the sale of variable annuities is not a sale of common stocks it is at least the sale of a participation in a common stock fund.

The area in the common stock list would be further restricted by another important consideration. The amount that could be invested in *any one company* would be restricted to a very small percentage by (1) legal restrictions and (2) the necessity for avoiding the appearance of controlling corporations. This latter point, the question of control, has enormous social, economic and political implications which would take far more time than I have today to discuss. However, it is one consideration that deserves serious attention in any decision on the propriety of the sale of variable annuities by life insurance companies.

Since investments in this limited list of stocks will be restricted to a relatively small percentage of the outstanding stock of each company, the question arises, what happens when one of the larger sellers of variable annuities fills up on the available list? Does he stop selling annuities, or does he move down the scale in quality in his common stock investments?

Now the rigid and inflexible nature of the variable annuity investment field has been emphasized because it would seem to constitute an outstanding weakness of the variable annuity plan. In effect, the variable annuity plan, as presently conceived, if sold by the life insurance industry, constitutes nothing more nor less than compulsory dollar averaging on a gigantic scale in a relatively small list of our top flight industrial and public utility corporations. Constant concentrated demand of this type will have but one effect—a substantial price rise for certain stocks that presently are selling on relatively high price-earnings ratios and low yields. Hence, quality common stocks as a group could become over-valued in relation to other forms of investment, and we might well have the anomaly of inflation in the vehicle which was designed to protect the annuity holder against inflation. However, the variable annuity program apparently would leave the investment men little choice—they would have to keep buying common stocks as best they could so long as the money kept coming in.

Problem of Declining Yield

All of which leads us to another question. What happens if prices of qualified common stocks have risen to such an extent that they yield only 1% to 2%, while yields available on good grade senior securities range from 4% to 5%, (we saw this situation in the late 1920's)? Does the seller of variable annuities then terminate their sale, or does he seek better yields in lesser quality common stocks?

After all, it needs to be emphasized that a high price can turn an investment issue into a speculation. If one buys a blue chip industrial stock on a 30-35 times price-earnings multiple and a 1% yield basis, one has to wait for considerable growth in earnings and dividends to offset obtaining 4½% on good quality senior investments. In other words, there can be no substitute for the exercise of judgment in the decision to go into one field of investment as opposed to others. One does not just buy blindly in one narrow field of investment irrespective of price in relation to earnings and dividends and in relation to other forms of investment.

Now on the subject of common stock investment by life insurance companies, I am not arguing that it is impossible for the investment staff of a life insurance company to do a good job. The point is that to do a good job in common stock investment it is necessary to consider such specialized investment only as a part of the whole investment program where there is the continuous weighing of one alternative investment against the other and the consequent development of a diversified and balanced portfolio. To devise a contract like the variable annuity which permits of only one type of investment "come hell or high water," is asking for trouble, and asking investment people to do the impossible. The New York Insurance Law presently permits common stock investment up to the lesser of 3% of assets, or ⅓ of surplus, and to my knowledge no New York company is presently approaching this limit. If the proponents of the variable annuity feel so strongly about what they call the non-flationary arguments for common stock investment, should they not first expand their investment in this field through the front door for the benefit of all policyholders? Certainly that procedure is far less dangerous than devising a new contract like the variable annuity which is in direct conflict with the primary purpose of the life insurance companies, i.e., the selling of insurance protection.

Supply Limitations

(3) **The third main question I would like to raise is where is the supply of stocks coming from to meet any sustained selling of variable annuities by life insurance agents?** This question is of particular importance in view of the restrictions which would be imposed on common stock purchases by life companies as described in Point 2. It would seem that unless there is a great change in the pattern of financing followed by American corporations, the supply of stocks would be most limited with respect to the demand thereof. During the past 20 years American corporations have relied primarily on internal sources (i.e. retained earnings and depreciation accruals) plus debt securities to finance capital needs. The volume of new money stock financing has been relatively small. For example, in the four years 1951-1954 inclusive, new money common stock sales averaged slightly more than $1 billion per year, and the net increase in outstanding common stock has averaged about $2¼ billion. The latter figure reflects stock dividends, exercise of stock purchase warrants, conversion of convertible bonds and preferred stock, etc., whereas the $1 billion figure represents new money sales alone. As contrasted to these figures new money debt sales averaged about $5½ billion and retained earnings about $8 billion per year.

On the demand side we find that institutional buying of common stocks by pension funds, investment trusts, mutual funds, insurance companies, etc. has been increasing tremendously in recent years. In 1954 institutional net purchases of common stock were $1½ billion, of which total, life insurance companies accounted for only $130 million, or 9%. This volume of institutional purchases represented almost 75% of the $2.1 billion increase in total common stock outstanding for the year and represented 150% of the $1 billion new money common stock sales for 1954.

The principal reasons for the low volume of new money common stock financing in order of importance would seem to be (1) the tax advantage of debt in raising capital, i.e. the allowance of interest as a deduction in arriving at taxable income, whereas there is no comparable allowance for dividends), (2) the advantage of retaining earnings as a source of equity capital in preference to adopting higher dividend payouts, which would result in a depletion of the capital available, since a considerable part of any additional dividends would be taxed by the U. S. Treasury instead of becoming fully available for reinvestment in new common stock issues, and (3) the desire to avoid dilution of common stock earnings per share and voting control.

On the other hand, it is obvious that a change in the Federal income tax structure which would reduce the tax advantage of debt, could result in a substantially increased volume of common stock financing. So too could a change in dividend policy by corporate managements with higher dividend payouts necessitating greater reliance on the sale of new common stock issues to raise new capital. However, no such tendencies are apparent on the present horizon and it would seem only prudent to emphasize the present trend in the supply-demand relationship for common stocks before unleashing aggressive agency sales forces to sell in effect common stocks by means of variable annuities, on the premise that a common investment program will automatically protect an individual from inflation.

Speculative Aspect

(4) **The fourth point I would like to emphasize is the fact that the basic characteristics of the variable annuity plan are more akin to speculative objectives than to investment objectives, which fact has important implications both as to the investment results that might be expected and the tax position of the life insurance business.** Certainly the important sales argument would be that the variable annuity would serve as a protection against inflation by the use of common stocks, for if earnings grow, dividend increases and capital appreciation would follow. Hence, in selling variable annuities, capital gains and appreciation would be stressed and the possibility of losses would be played down. Therefore, in the investment process the aim would be proper selection of growth stocks to achieve capital appreciation—the income return would be secondary, and would not be considered in relation to returns available on other sources of investment. I doubt if such a process could be termed investment. It certainly would not be in accord with Graham and Dodd's definition that "An investment operation is one, which, upon thorough analysis, promises safety of principal and a satisfactory return. Operations not meeting these requirements are speculative."

Moreover, despite great educational efforts to prevent it, we know that individuals would resist proper balances in their insurance, savings and investment program and would overdo variable annuities in bull markets or periods of extreme optimism. And even though stocks might tend to be valued at higher levels for reasons discussed previously, there would still be periods of fluctuations—going up in good times and down in bad times. Then when stock prices had a sustained drop, individuals, despite all educational efforts to the contrary, would begin to worry about their variable annuities and if the lower level of stock prices persisted they would look for a scapegoat.

In the case of variable pension plans employed by industry, I am told that the contribution for the variable portion of the retirement program is always made by the employer so as to reduce employee dissatisfaction in periods of declining stock prices, such as was experienced in the past in many employee stock purchase plans. Could the life insurance companies expect otherwise in a similar situation?

Now unlike CREF where the holder of the variable annuity is "locked in," other proposed plans provide for either cash surrender payments over a minimum period of three years or for immediate cash surrender payments. Thus, in periods of lower stock prices and business uncertainty, there undoubtedly would be increased demands for cash surrender payments. Therefore, the variable annuity plan, unlike the life insurance business to date, would necessitate liquidity in the investment program, since in periods of business recession and weak stock markets cash outgo conceivably could exceed cash income. However, since the assets behind the variable annuity contract would be solely common stocks, this would entail liquidation of common stocks in falling markets. The losses in a liquidation process involving only common stocks could not help but be much greater than the losses incurred in the liquidation of U. S. Government securities and certain other types of unsegregated assets presently held by life insurance companies. So despite a much greater need for liquidity, the variable annunity plan would be substantially less liquid in its investment program and to the extent that these increased liquidity demands were offset by the holding of short term U. S. Government securities, the investment results would be less favorable.

Certainly, it seems clear that there would be no opportunity to ride through business cycles in variable annuity investments to the same extent life insurance companies now find possible in their over-all investment program. This cannot help but create great difficulties in achieving favorable investment results since buying would tend to be concentrated in rising markets and selling in falling markets. Thus, it should be emphasized that any liquidation in periods of weak markets would prevent full operation of the "dollar averaging" theory since buying of stocks would cease if liquidation were required. In fact, the impact of the variable annuity program would be to accelerate both the upswing and downswing in the stock market.

Furthermore, it seems to me that there has been far too much comparison with the CREF program. This is a relatively small operation involving small amounts of money when compared to the potential sales of variable annuities by the life insurance business, and it is essentially comparable with an industrial retirement plan of a large corporation. The market is limited to college teachers; an underwriting balance between fixed and variable annuities is absolutely required; and the individual is "locked in." This is a far different operation from the proposals which would involve the aggressive marketing of the variable annuity contract.

The more speculative variable annuity approach would also involve exposing the entire life insurance business to a substantial change in its tax picture. The present tax picture of the life insurance business has developed from the concept that the savings of individuals to protect their families against the sudden death of the breadwinner should be encouraged as a means of developing a self-reliant society. And so when these savings (or capital creation) are carried out through life insurance companies, whose objective must be safety of principal and satisfactory return and not capital appreciation, there is sound reason for a more limited tax on life insurance companies. Hence, the variable annuity with its more speculative emphasis, certainly would seem to expose the life insurance business to the threat of higher taxes.

Foreign Experience

(5) **The last point I wish to make is that in talking about expected future inflation in the U. S. and making comparisons with runaway types of inflation experienced by some European countries the proponents of variable annuities fail to recognize that common stocks did not prove to be particularly good inflation hedges in these European countries.** The best types of inflation hedges proved to be non-income producing investments such as art treasures, precious metals and jewelry, and certain types of real estates and natural resources. On the other hand, many corporations got caught in sales-inventory price squeezes and went into reorganization before any real stabilization of prices occurred. Thus, the stockholders were wiped out and the bondholders became the new stockholders. Actually, study of European inflation experience emphasis that there is no really good inflation hedge, particularly for those dependent on income, with the result that the middle-income class was wiped out with the collapse of the currency system.

Eliminate Causes of Inflation

Moreover, in making comparisons with runaway types of infla-

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Variable Annuities Case Based on False Premises

tion in European countries, the proponents of variable annuities are treading on explosive ground. For example, in the hearings before the NAIC Committee on variable annuities, one of the leading proponents pointed out that runaway inflation in European countries had weakened tremendously the confidence of the people in life insurance contracts and life insurance companies. On the basis of that example, the witness than went on to argue that a solution to the problem of a rising price level or inflation, must be found, or as a consequence the life insurance companies in the U. S. face the same loss of esteem and financial standing. Aside from the fact that life insurance ownership in Europe has never attained anything close to that in the U. S., I submit that the way to face the problem is to get at the causes and prevent inflation. After all, one does not eliminate small-pox by superficially treating the spots, but rather by seeking out the causes and eliminating them. The sale of variable annuities to offset inflation most certainly can be compared to treating the spots of the small-pox disease. Moreover, there would be the even greater danger that the patient would be lost.

Now, of course, in all fairness it should be pointed out that the proponents of the variable annuity argue that the contract is not based on the idea that further inflation is inevitable. To quote from a pamphlet of one of the proponents, "There is good reason to believe that in a growing economy such as ours, with new products, new businesses, more jobs and improvement in the general standard of living, the returns on a variable annuity contract would increase even without inflation. Furthermore, it would seem just as wise to try to protect your retirement income against inflation as it is to insure your house against the risk of fire—even though you do not expect either to occur."

In answer to this argument let me quote the words of Dr. Heinz Luedicke, editor of "The Journal of Commerce," who lived through a good part of the inflation in Europe:

"The argument has been made that the primary purpose of the variable annuity is not to serve as an inflation hedge, but rather as a method to participate in the growth of the country over relatively long periods. Any insurance company that goes into what actually is the mutual fund business for this reason may quickly find out that it is destroying the very foundation of its own business. It may not become aware of this right away, but it will in effect advertise the fact that it no longer believes in its own product of guaranteed dollar contracts. The issue involved here is primarily a moral issue. There cannot be any economic organization without confidence; confidence in the soundness of a currency; confidence in the reward for saving. You cannot trade this principal for expediency. I want to see the insurance companies in the front line in the fight against inflation, together with savings banks and other financial institutions. The issue involved here is not to find an offset against inflation, but to fight inflation before it gets to be a habit. The people in Europe learned the hard way that there is no such thing as a little inflation. Lacking the painful experiences of the Europeans the fight can be won here if there is a growing recognition of the true vested interest of most people in a sound currency. This vested interest is developing with the increase in Social Security, pensions, savings and very largely life insurance. We are not anywhere near the point of full recognition as yet; largely because too many of our people are paying off mortgages. But the time to fight and win this battle is now—and not after a runaway inflation when we'll have to pick up the pieces."

Imagine, if you will, the average policyholder's reaction to the announcement that life insurance companies are selling variable annuities as a hedge against inflation. His first thought might be "I have heard people make the statement before that common stocks are a hedge against inflation, but now that the life insurance companies have devised a contract which utilizes this premise, it must be true." Is there not a strong doubt as to the propriety of life insurance companies advocating the sale of a contract based on a premise, the truth of which has yet to be proved? Moreover, let us conjecture on what that policyholder's second thought might be. It would undoubtedly run in this vein. Just how good are my present life insurance contracts? How will my family fare if the purchasing power proceeds of my life insurance were cut way down by inflation? Why should I buy any more life insurance? Perhaps, since common stocks are a hedge against inflation, I should ask my life insurance company to sell me a variable life insurance policy. One of the main protagonists for the sale of variable annuities gives as a major reason for advocating such sale, the need to meet the public demand for such a contract. Would this in turn mean the advocacy of the sale of a purchasing power life insurance policy to meet the demand of our Mr. Average Policyholder?

Over the past fifty years the life insurance companies have grown in size to where they play a role of considerable importance in the functioning of our economy. This growth is a reflection of the efforts of insurance agents in selling a product they believe in—and thus getting the public to believe in it too. The principal business of life insurance companies today is still the sale of life insurance protection. Our ability to sell such protection in the future depends on the continued confidence of the public in our product, which depends in turn on the soundness of our currency. In meeting the social and economic obligations which necessarily are imposed on the life insurance industry because of its importance in the economy, let us close ranks and continue and intensify our "front lines" fight against inflation, regardless of political expediency.

Certainly an effective fight to prevent inflation is the life insurance industry's answer to the problem of a pattern of rising prices rather than a tacit acceptance of the theory of the inevitability of inflation by sponsoring a device designed to off-set its consequences.

Eugene P. Barry

Eugene P. Barry, partner in Shields & Company, New York City, Passed away at the age of 52 on Jan. 21. Mr. Barry had been associated with the firm since 1927.

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President Submits Economic Report to Congress

lution in American agriculture, changing domestic demands for farm products, the expansion of agricultural production abroad, and the repeated extension of war-time price-support levels long after the end of World War II.

Moderate Changes Urged

Many parts of our agricultural policy are working well and require only moderate changes. Together with the nine-point program built around the soil bank put forward in the recent message on agriculture, they constitute a many-sided attack on the ills that beset agriculture.

There is no easy cure for persisting surplus conditions. The programs now recommended, if framed wisely and adopted promptly, will promote the welfare of farmers and the nation.

The basic cause of low incomes is low productivity, irregular employment, or both. The government can do a great deal to help people who have been left behind in the onrush of progress by undertaking special programs for raising their productivity.

One of the largest groups of low-income families is in rural areas, mostly on farms too small for efficient operation. The rural development program is a soundly conceived approach to helping these farm families raise their productivity and thereby improve their economic status. Legislation is needed which will permit the program to be expanded in line with recommendations made last year.

Area Assistance Program

To cope with chronic unemployment which has persisted in some communities, despite the attainment of practically full employment in the nation at large, a new area assistance program is recommended.

Vocational rehabilitation, widened coverage of the Federal old-age and survivors insurance program, and housing needs of older people are fields in which advances should be made.

Relatively few people are as yet protected by insurance against catastrophic illness. The pooling of risks by private carriers, or if need be through a Federal program, would help meet this problem.

A joint Federal-State program for indemnifying flood victims on losses to real property, business inventories, and houshold effects should be authorized.

Lasting prosperity of the nation depends far more on what individuals do for themselves than on what the Federal Government does or can do for them. The rate of our economic advance in the years ahead will depend largely on our ability as a people to preserve an environment that rewards individual initiative and encourages enterprise, innovation, and investment.

Government can contribute to the strengthening of competitive enterprise through monetary, fiscal, and housekeeping policies that promote high and rising levels of economic activity; by helping small and medium-sized business overcome impediments to their expansion, and by vigorous measures for preventing monopolistic practices and combinations.

For the present fiscal year a balanced budget is in prospect. Once a budgetary surplus comes definitely into sight and economic conditions continue to be favorable, we should begin reducing our huge public debt. Such an act of fiscal integrity would signify with unmistakable clarity that our democracy is capable of self-discipline.

School Construction

To help meet the pressing need for more schoolrooms, the Congress is urged to authorize a program of Federal aid for school construction which, over a five-year period, could be expected to stimulate the states and localities to sufficiently greater efforts to remove the accumulated shortages.

The country urgently needs a modernized interstate highway system to relieve existing congestion, to provide for the expected growth of motor vehicle traffic, to strengthen the nation's defenses, to reduce the toll of human life exacted each year in highway accidents, and to promote economic development.

The development of consumer instalment credit has been highly beneficial to our economy. However, it sometimes accentuates movements in the buying of consumer durable goods. Although present conditions do not call for the use of any authority to regulate the terms of instalment credit, this is a good time for the Congress and the Executive Branch to study the problem.

Sound policies to promote the expansion of the international flow of goods, capital, enterprise, and technology will powerfully advance our national security and economic welfare, and help to build a stronger and more unified community of free nations.

Early passage of legislation authorizing membership of the United States in the Organization for Trade Cooperation and providing for further customs simplification is of high importance.

Foresight has helped our nation make great strides in recent years toward a balanced and sustained prosperity. We have succeeded in expanding the scope of free enterprise, and yet increased the sense of security that people need in a highly industrialized age.

Taking recent developments all together, it is reasonable to expect that high levels of production, employment, and income will be broadly sustained during the coming year, and that underlying conditions will remain favorable to further economic growth.

Great opportunities lie ahead for American businessmen, consumers, workers, farmers, and investors. The recommendations of this report should be helpful in the realization of these opportunities.

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Business and Bond Price Prospects

Gloomy business forecasts, predictions of a big crack in the stock market, political uncertainties, rumors of frightened businessmen drawing in their horns — things like this might possibly shake the confidence of the people. I don't think it likely. To me it is hardly conceivable that in these days we could talk ourselves into a serious recession. I mention it just to show that I have thought of it.

So if during this year we shall be still pretty close to productive capacity ceilings, it follows that neither the Administration nor an independent Federal Reserve System can countenance a significant easing of credit conditions. Making money cheap and freely available, in such circumstances, could result only in pushing prices up. The basic justification for the independence of the Federal Reserve System lies in doing its level best at all times to promote prosperity without price inflation. And the Administration has talked too much about a "sound dollar" of unvarying purchasing power to do otherwise.

Borrowing Supply-Demand

But there is one point still to be made, and on this point rests the possibility of somewhat higher bond prices and somewhat lower interest rates later in the year.

I mentioned earlier that the economy in 1955 got a big boost, not only from a big jump in disposable income, but also from a big increase in consumer and mortgage debt. It seems unlikely that either disposable income or personal debt is going to show such big increases this year. If they do not, then consumption expenditures are not going to shoot up so rapidly either, and that is a major reason why total Gross National Product will show a smaller growth. That means that the total demand for credit may be less this year than in 1955. There is some prospect that the proportion of disposable income going into savings may be somewhat greater, even if it represents only larger amortization and payoffs of existing debt rather than liquid saving. As a friend of mine put it, it takes less money to finance prosperity than it does to finance a boom.

Thus the gap between saving and investment may be narrowed, and that would mean considerably less pressure upward on interest rates. There would be less demand for borrowing from commercial banks, a smaller growth in bank loans, and hence less reason for the Federal Reserve System to follow credit policies as restrictive as those of last year. Though we still may be bumping against capacity production ceilings, we may not be bumping quite so hard, and upward pressure on prices may be less. A growth in GNP of 4% may be considered normal against the recent average growth rate of the country, though more than the 3% long-term rate, and it is little more than half the 7% rate of growth experienced in 1955. The Reserve System, therefore, may be willing to countenance a growth in money supply of as much as 4%, which would be about double that of last year.

The point I want to make can be boiled down like this: The 7% growth in the economy last year was accompanied by a demand for money and a stringency in credit markets with which we are all familiar. A growth rate around half that size has to be thought of, it seems to me, as measurably easing the pressures on interest rates. Savings plus the growth in money supply which the Reserve System will consider tolerable may equal or more than equal the demand for borrowed funds of all kinds, and thus we may have rough stability or a slight easing of interest rates (and improvement in bond prices) at some time during the present year.

I cannot at present see any probability of such a slackening—probably not until some time in the second or third quarter—and hence no easing in restrictive credit policies. And I will confess that I am somewhat disturbed by the gyrations in the bond market lately, because I can see at present no sound justification for them. Such movements, based on speculation about the indefinite future, are dangerous, and are bound to produce loses for some of those who indulge in them.

Summing-Up

I have talked quite a lot, but I think I can sum up rather briefly the main points of what I have tried to say.

Business activity in general is going to continue upward, but not nearly at the same pace as last year. It is possible that some people will take this slower progress as being equivalent to a downturn, and that we may talk ourselves into a recession. I don't think that very likely.

But a slower growth requires less money to finance it. Hence the possibility that, when demand for funds comes closer into balance with supply, when pressure on productive capacity and on prices eases somewhat, Federal Reserve policy will become less restrictive and bond prices will have a sound reason for going up. It doesn't seem to me likely that this can happen before the second quarter, and because it is so iffy I would not speculate upon it.

Nevertheless, it is certain that the powerful upward pressure on interest rates last year will not be present this year. So, apart from speculative gyrations, and unless a new inflationary spurt is touched off, I look forward to a fair stability in bond prices, and even to the possibility of some rise later in the year.

Los Angeles Exch. Elects F. E. Naley

LOS ANGELES, Calif.—Frank E. Naley, General Partner of E. F. Hutton & Co., has been elected Chairman of the governing board of the Los Angeles Stock Exchange.

Frank E. Naley

He succeeds Emerson B. Morgan, senior partner of Morgan & Co., who served as Board Chairman from 1954 through 1955.

Newly elected to three year terms on the governing board were Leo B. Babich, President, Hill Richards & Co.; Horace E. Martin, Partner, Daniel Reeves & Co.; and Sidney C. Knobloch & Crowell, Weedon & Co.

The election of the new Chairman and governors took place at the Exchange's annual members meeting this week.

Mr. Naley has been associated with E. F. Hutton & Co. since 1920. He steadily advanced in position, becoming auditor in 1927, General Partner in 1948.

During the period 1952 through 1954, Mr. Naley was on the governing board of the Los Angeles Stock Exchange, being Vice-Chairman in 1953 and 1954. He also has served on various exchange committees for the past 25 years.

Leo B. Babich, a native of Petone, New Zealand, entered the securities industry in 1929 in San Francisco. Before joining Hill Richards & Co. in 1938, he was manager of the municipal department of Schwabacher & Co., Los Angeles.

Horace E. Martin, a graduate of Stanford University, was Vice-Chairman of the exchange's governing board in 1947. He has been associated with Daniel Reeves & Co., since 1949.

Sidney C. Knobloch, of Temple City, Calif., joined Crowell, Weedon & Co. in 1951. Before that he served as floor clerk on the Los Angeles Stock Exchange staff for five years. He is also on the board of the El Monte-L. A. Airport.

Doubling of Electric Power Use Seen in Decade

Sylvania President expects electric products and electricity use to double in 10 years. Estimates share of nuclear-produced out of total generating capacity to be one-half per cent in 1960 and 5% by 1970.

Both the nation's use of electricity and the output of electric products will double over the next 10 years, according to Don G. Mitchell, Chairman and President of Sylvania Electric Products Inc.

Don G. Mitchell

Consumption will double by 1965, reaching a trillion kilowatt-hours annually," he predicted. "Much of this enormous increase in consumption will come from industrial expansion, in which the West Coast will lead any other section of the country in its rate of development."

Commenting on the nation's future in atomic power, the Sylvania official said: "Progress in the generation of electric power by atomic energy will be gradual for the next several years because of both financial and technical problems, but atomic power applications will increase steadily. By 25 years from now, more than half the plants then building will be nuclear powered."

The electrical-electronic manufacturing industry probably will double its output over the next decade, according to Mr. Mitchell. Immediately after World War II, he explained, the electrical-electronics industry constituted a $6 billion business annually, "but I shall not be surprised to see its total in 1956 reach approximately $19 billion, in contrast to $17.4 billion last year. Ten years from now, total volume should be nearly double the 1956 volume."

He cited as local examples of this steady growth the recent start of a large addition to Sylvania's television picture tube plant at Fullerton, Calif., and a new Los Angeles warehouse and sales office building, now under construction.

Commenting on the predicted great expansion in the generation and use of electric power, Mr. Mitchell said it is probable that the privately owned electric utilities will spend $3 billion a year for the next 10 years for expansion. In recent years, the expansion rate has resulted in the expenditure of about $2.5 billion a year. He praised Southern California Edison and Pacific Gas & Electric for their pioneering in expanding electric service.

"This expansion of the electric utilities will anticipate the rapidly growing demand for electric power in every segment of the economy," Sylvania's Chairman-President stated. "There is not a single area in which the demand for power will not grow phenomenally, especially on the West Coast."

The growth of all industry over the next 10 years will be an important factor in the expansion of the electric generating and manufacturing industries, he said, especially in the expanded use of production machines, not only to meet public demand for products, but also to meet a labor shortage.

"In the home," according to Mr. Mitchell, "we expect a continuing sharp expansion in the use of electricity for all purposes—lighting, heating, cooking, entertainment. This increased demand will arise not only from the many new homes, but also from the expanding use of electricity in existing homes."

He pointed to the expected strong growth in the use of television, lighting, electrical and electronic computing equipment, medical equipment such as x-ray devices, control devices for home and industry, air conditioning, and refrigeration. Mr. Mitchell also mentioned such developments as the trend toward softer lighting, "area" lighting, wall television screens; home intercommunication systems, and other developments.

Estimating that lighting alone accounts for about 30% of all electric power used today, Mr. Mitchell said the average home, office building, and other building areas should be 40% better lighted than they are.

"If all our buildings were brought up to advisable lighting levels immediately," he said, "it would increase the consumption of electric power in this country over the 1955 rate by nearly 9%. Because of the many benefits to be derived from better lighting, it is certain that lighting will be improved in both our present and future homes, with the result that better lighting alone will account for a substantial increase in the lower demand."

In discussing atomic power, the Sylvania chief executive estimated that by 1960, one-half of 1% of the country's total generating capacity will be nuclear powered, and by 1970, 5% of all generating capacity will be nuclear powered.

In 1980, he said, although only 17% of the generating capacity will be nuclear powered,—representing a probable investment of $14 billion—well over 50% of the power plants built during that year will be atomic powered.

Describing Sylvania's work in the atomic energy fields, Mr. Mitchell said the company is engaged in the development of new and better fuels for atomic reactors including power plants, reactor materials and components, and cheaper, more efficient means of separating and recovering spent fuels.

By 1975, the production of atomic fuels and related activities will exceed $500 million a year, and by 1985 "will be measured in the billions of dollars," Mr. Mitchell said.

Old Empire Stock Offered at $1 a Sh.

Vickers Brothers, of New York City, are offering publicly 300,000 shares of common stock (par 10 cents) of Old Empire, Inc. at $1 per share on a best-efforts basis.

The net proceeds are to be used to redeem $17,800 of preferred stock; to purchase additional machinery and inventory; and for working capital and other general corporate purposes.

Giving effect to the present financing there will be outstanding 613,880 shares out of 900,000 shares authorized.

The company was formed under the laws of the State of New Jersey in February, 1954, and is the outgrowth of a partnership formed in 1939. The company is a nationally-known manufacturer and packager of chemical specialties.

The company's plant and general offices are located at 865 Mount Prospect Ave., Newark, N.J.

The principal categories of products completely manufactured and packaged by Old Empire, Inc. are toilet preparations, light pharmaceutical household and chemical specialties, and industrial specialties. Among the products are perfumes, colognes, powders, shampoos, hair preparations, shave preparations, lipsticks, hand creams, bath preparations, toothpastes, mouth washes, ointments, silver cleaners, wax and floor polishes, and adhesives.

Illinois State Toll Highway Commission Receives Check Completing Largest Public Offering of Toll Highway Bonds

From Left to Right: John F. Fennelly, partner, Glore, Forgan & Co.; Walter L. Darfler, Vice-President, Halsey, Stuart & Co.; James J. Jamieson, partner, Glore, Forgan & Co.; William Wood Prince, member, Illinois State Toll Highway Commission; Edwin A. Rosenstone, Illinois State Director of Public Works and ex-officio member of the Commission; Orville J. Taylor, Secretary of the Commission, and Evan Howell, Chairman of the Commission. The final meeting took place at the office of The Continental Illinois National Bank & Trust Company of Chicago.

Silvray Lighting Common Stock at $3

Milton D. Blauner & Co., Inc. of New York City heads an underwriting group offering 210,000 shares of Silvray Lighting Inc. common stock at a price of $3 per share. Of the 210,000 shares of stock being offered, 75,000 shares are being sold on behalf of the company and 135,000 shares on behalf of certain selling stockholders.

Net proceeds to be realized by the company from the sale of its 75,000 shares of common stock will be added to working capital, to be used for general corporate purposes.

Silvray Lighting, Inc. was incorporated in September, 1929, and is engaged primarily in the processing of incandescent lamps with a mirror silver coating by means of the "Silvray" process and the manufacture of incandescent lighting fixtures for commercial, industrial and home use, and to a lesser extent, the manufacture of fluorescent lighting fixtures for commercial, industrial and home use. The company is one of the few in this country with highly specialized processing facilities for applying a pure silver mirror application to the incandescent lamp. To the company's knowledge, it is the only one in the field of outside silvered-bowl incandescent illumination in the country. The company's general offices and plant are located in Bound Brook, N. J., 31 miles from New York City.

For the nine months ended Sept. 30, 1955, Silvray Lighting, Inc. had net sales of $1,688,028 and net profit of $206,851, equal to $.331 cents per common share. These figures compared with net sales of $1,360,598 and net profit of $113,953, or $.182 per common share in the corresponding period of 1954.

Also participating in the offering are—Hallowell, Sulzberger & Co.; Talmage & Co.; and Glickenhaus & Lembo.

Frank Stave Partner in Drachman & Co.

Frank Stave has been admitted to partnership in Drachman & Company, 570 Seventh Avenue, New York City, members of the New York Stock Exchange. Mr. Stave has been President of the United Savings & Loan Association of Paterson, N. J. since its formation in 1951. He had operated his own raw silk business previously in New York City for over 25 years.

Frank Stave

Mr. Stave's admission to the firm was previously reported in the "Chronicle" of Jan. 5.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Willard E. Forman has been added to the staff of Allen Investment Company, 1334 Pearl Street.

Columbia Secs. Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Mike J. Verzuh is now associated with Columbia Securities Company, Incorporated, Equitable Building.

Joins FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alva C. Loney is now connected with FIF Management Corp., 444 Sherman Street.

Joins Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert S. Lord has joined the staff of the Marshall Company, 765 North Water Street. Mr. Lord was formerly with Paine, Webber, Jackson & Curtis.

Continued from page 9

The Impact of Atomic Energy On the Oil and Gas Industry

wish to equip its planes with reactor power plants.

What of the railroads? Will we some day see nuclear propulsion of trains? There are some who think we will. I, for one, think we will not. I say this, not because there is any reason why a nuclear power plant cannot be developed which will fit into an engine and pull a string of cars—if you can put one in a submarine, you can obviously put one on some kind of a mobile platform which will operate on rails—but again, I think that the problem of radiation will come up to haunt us, as well as the problem of cost. There is no particular incentive to secure unlimited range in a railroad engine as there is in the case of the military submarine or the military aircraft. Trains must stop frequently and in populated areas. A railroad station is almost synonymous with a crowd, and an accident involving a nuclear-propelled engine would present extremely nasty contamination.

Turning to costs for a moment, the railroads would have to completely re-equip their rights of way with special crews and heavily shielded facilities to load the reactors into the engines and unload the reactor cores containing the spent fuel elements. This would require very extensive facilities.

Again we come back to the question, "Why put one in an engine?" The chances are that it will cost considerably more than coal or oil, and that it will present so many radiation problems that the railroads would regret the day they ever entered the business.

And what of trucks and automobiles? Will they some day be propelled by nuclear power plants? I, for one, think not. Present fuels are quite adequate for this purpose. Reactors are necessarily bulky. They require heavy shielding and they involve many dollars. They are not going to get down to the size of a gas tank, and as for the radiation problems which would be presented along our highways, I hate to contemplate them.

Another comforting thing to anyone in the oil and gas industry arises from the tremendous growth in the power demand in the years ahead. World population today is a little less than 2½ billion. By 1975, it will be approximately 3 billion, and by the end of the century, 3 billion 700 million. The demand for energy grows even faster than population. The energy demand in 1975 will be nearly double that of 1950. In fact, the President's Materials Policy Commission predicted that America's electrical energy output in 1975 would be more than triple that of 1950. That same Commission predicted that by 1975 Americans would need 5 billion barrels of oil for every 2½ billion they consumed in 1950, and world-wide, one authority has estimated that we may need 40 million barrels a day in 1975, in contrast to 14 million a day in 1950. As R. G. Follis, Chairman of the Board of Standard of California, predicts: "To meet the energy demand, conventional fuel output will have to rise swifty, and we will still need the help of the atom."

I have found no one in the oil industry today who fears the atom's encroachment. They look upon it, rather, as a necessary supplement to present-day fuels. Something could come along, of course, to change this picture. You read, this summer, accounts of the Geneva Conference on Atomic Energy, and the statements made there that within 20 years, it is possible that the scientists will master the control of the thermonuclear, or fusion, reaction, thus reproducing on earth the reactions which take place in the sun. This is a possibility. It is far from a probability. But even should it come, its impact on oil and gas would only be felt in that rather small percentage of your product which today goes for power generation. You are not going to have a thermonuclear power plant on a ship or a plane, much less in the home and automobile.

I probably should make brief reference to the fact that the atom, as of today, is assisting the oil industry more than it is competing with it. Rather extensive research work is being carried on by several of the oil refining companies into studying the effects of radiation on the molecules of petroleum. Out of this may come some significant changes in the refining process.

Oil well "logging" is helping greatly to take the guesswork and the risk out of oil production and exploration, and the applications of nuclear science are increasingly important to the well logger. Low levels of natural radioactivity provide a valuable means for identifying many of the strata in the earth's crust. From his gamma measurements, the logger determines the oil and water content and, hence, the porosity of oil-bearing strata.

You are all familiar with the use of radioisotopes in the study of "flow" problems, and the use which is today being made to tag liquids in pipelines by introducing isotopes into the pipes themselves. Virtually all of the large oil companies today have sizable technical teams studying the scientific relationship between oil and the atom. In engine test laboratories, the amount of wear for moving parts, such as piston rings, is now determined in a small fraction of the time formerly required. This is done by irradiating the parts to be studied, and measuring, only after a brief test run, the radioactivity of the lubricating oil in which the worn-off metal collects. Many other illustrations might be given of the atom's contribution, even today, to the oil industry. Certainly, one can summarize by saying it's helped more than it's hurt.

In summary, it would seem that the industry has little to fear from the atom—that in the field of central station power, perhaps 10 to 15%, at the most, will be supplied by atomic energy in 1975—that in the foreseeable future, in the field of transportation, nuclear power has its first appeal to the military—both at sea and in the air. It has some prospect of being useful in the commercial field for surface vessels although the costs presently seem to make this application commercially unwise. As for the railroads, the incentive for unlimited range is not present, and the dangers of radiation are great. And as for our highways, forget it.

In short, my advice would be to enjoy this Florida sunshine as long as you can, and look for bigger and better profits in 1956.

James J. Ryan

James J. Ryan, partner in Halle & Stieglitz, New York City, passed away at the age of 71 following a long illness.

Continued from page 22

News About Banks and Bankers

Board. John E. Lockwood succeeds Mr. Prezzano as Chairman of the Executive Committee. All other officers of the bank were re-elected by the Board.

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The shareholders of the **First National Bank of Jersey City, N. J.**, have approved the bank's second stock dividend which will be paid on Jan. 25, to holders of record on Jan. 10, 1956. Each shareholder will receive slightly less than three new shares for each 100 shares held. Coincident with the payment of this stock dividend, the bank's capital and surplus will each be increased to $3,150,000 and the shares outstanding to 126,000. Shareholders also approved an amendment to the bank's pension plan which will result in liberalizing benefits for all eligible employees upon retirement. As noted in our issue of Dec. 1, page 2326, the plans had been recommended by the directors of the bank.

It is also announced that the shareholders of the First National Bank of Jersey City, have elected as directors of the bank LaVerne W. Hench, President and Treasurer of American Oxygen Service Corp. of Harrison; Harry B. Batchelder, the bank's Executive Vice-President and Edward N. Dean, its Vice-President and Cashier. Mr. Batchelder directs the bank's loan program. Mr. Dean was previously associated with the **National City Bank of New York.**

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At the annual meeting of the shareholders of **The First National Bank of Toms River, N. J.**, on Jan. 10, the shareholders voted approval of the proposal to increase the common capital stock of the bank by $30,000 as represented by 3,000 shares of $10 par value and to pay a stock dividend of one share for each 28 shares on Jan. 31, to shareholders of record Jan. 10. They further voted to increase the common capital stock by $30,000 to be represented by 3,000 shares of $10 par value, which shares are to be offered at $60 a share on March 15, to shareholders of record March 2, on a basis of one share for each 29 shares held and payment therefore must be made on or before April 16. The offering of the new shares has been underwritten by the directors, individually, of The First National Bank of Toms River. After the payment of the stock dividend and the sale of the new shares, the capital, surplus, undivided profits and reserves will be approximately $3,300,000. Reference to the plans for the payment of a stock dividend for each 28 shares on Jan. 31, was made in our issue of Nov. 3 last, page 1882.

At the organization meeting this month of the newly elected Board of Directors of the bank, Cornelius Van Vorst formerly manager of the Credit Department was promoted to the position of Assistant Cashier.

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RHODE ISLAND HOSPITAL TRUST COMPANY, PROVIDENCE, R. I.

	Dec. 31,'55 $	Dec. 31,'54 $
Total resources	323,341,535	299,345,314
Deposits	289,908,603	266,231,431
Cash and due from banks	57,067,215	51,873,460
U. S. Govt. security holdings	96,714,522	107,558,597
Loans & discounts	145,225,263	119,915,819
Undivided profits	5,143,335	4,843,577

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In addition to the election of George H. Renninger as Vice-President in charge of the **Chester-Cambridge** Office of **The Philadelphia National Bank of Philadelphia**, recently announced by Frederic A. Potts, President, Mr. Potts has also announced the appointments of Alvin C. Wiplinger, J. Lewis Nungesser, Charles W. Yust, William R. Byrd, Jr. and G. Morris Dorrance, Jr. as Assistant Vice-Presidents. As noted in our issue of Jan. 12, page 194, Mr. Renninger succeeds Douglas R. Faith, retired. The recent announcement of elections and appointments also lists Edward G. Beatty, Earl H. Henderson, Edward A. Flood, Jr., Edward H. Evans, Herbert J. Rosenstern, Richard C. Zebley and Frank H. Martin, Jr. as new Assistant Cashiers. The three new Assistant Trust Officers included in Mr. Potts' recent announcement are Edward W. Jones, II, Albert G. Kay and S. Robert Conkling.

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An addition of $320,000 has been made to the capital of the **People's First National Bank & Trust Company of Pittsburgh, Pa.** as a result of which the capital is now as of Jan. 3 $16,320,000 compared to $16,000,000 previously. The addition to the capital was accomplished by a stock dividend of $320,000.

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With the opening on Jan. 16 of the new main office of **The Philadelphia National Bank** at Broad and Chestnut Streets, Philadelphia, vast crowds joined to celebrate the "opening day" to witness the dedication of the new home of one of the country's oldest banking institutions and the multitude heard Frederic A. Potts, President, state that the cornerstone of the bank is "service"—service to the entire Delaware Valley area; service to more companies, more industries — and, "above all, to more people." Mr. Potts described "this new home of The Philadelphia National Bank as a distinguished achievement. But from this bank, itself and from the communities it serves," he added, "comes the spirit which gives significance to the structure and meaning to its purpose."

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The election of McClure Kelley, President of Baldwin-Lima-Hamilton Corp., to the board of directors of **The Philadelphia National Bank of Philadelphia, Pa.**, was announced on Jan. 17, by Frederic A. Potts, President of the bank. Mr. Kelley will fill a vacancy on the bank's board caused by the retirement of Marvin W. Smith, Chairman of the Executive Committee of Baldwin-Lima-Hamilton.

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FIRST NATIONAL BANK OF MIDDLETOWN, MIDDLETOWN, OHIO

	Dec. 31,'55	Dec. 31,'54
Total resources	$44,058,470	$37,145,562
Deposits	40,973,561	34,392,600
Cash and due from Banks	8,560,038	6,546,858
U. S. Govt. security holdings	10,985,727	12,720,933
Loans & discounts	18,710,985	12,670,031
Undivided profits	400,651	397,951

* * *

As of Dec. 10 a consolidation was effected between the **National Exchange Bank & Trust Company of Steubenville, Ohio**, with common stock of $500,000, and the **Peoples National Bank of Steubenville.** The consolidation was consummated under the charter of the **National Exchange Bank & Trust Company**, and under the title of the **First National Bank & Trust Company in Steubenville.** The latter has a capital of $1,000,000, in 100,000 shares of common stock, par $10 each; surplus of $1,300,000 and undivided profits of not less than $300,000.

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A charter was issued on Dec. 27 by the Comptroller of the Currency for a new National organization in Cleveland, Ohio, under the title of the **Society National Bank of Cleveland**, with a capital of $2,000,000, and a surplus of $3,000,000. Mervin B. France, President of the **Society for Savings of Cleveland**, is also President of the new organization, which latter, it is stated, will share the same locations with the Society for Savings. **The Society National Bank**, it is indicated, will serve the commercial banking needs of Cleveland, while the **Society for Savings** will continue to serve the requirements of savings depositors. The capital of the new bank will be owned, it is reported in recent advices from Cleveland to the "Wall Street Journal," by Society for Savings, except for qualifying shares owned by the new corporation's directors. Lewis E. Franckle is Cashier of the Society National Bank, which it is stated will be a member of the Federal Reserve System and the Federal Deposit Insurance Corp.

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Two new directors were added to the board of **The Cleveland Trust Company of Cleveland, Ohio**, at the annual meeting of stockholders on Jan. 18. They are Felix S. Hales, President of the New York, Chicago & St. Louis RR. and Kent H. Smith, Chairman of The Lubrizol Corporation. All other directors were re-elected. Mr. Hales has been President of the "Nickel Plate" RR. since last April. I. F. Freiberger, Chairman, and George Gund, President of the Cleveland Trust, opened their usual joint report to the shareholders, with a confident look ahead.

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Election of John K. Davis, Vice-President of The Toledo Edison Company, and Harold R. Platt, President of Haughton Elevator Company, Toledo, to the Board of Directors of **The Ohio Citizens Trust Company of Toledo, Ohio,** was announced on Jan. 18 by Willard I. Webb, Jr., President, following the annual meeting of stockholders. Other directors who were re-elected at the meeting are Willard I. Webb, Jr., President; James P. Falvey, George E. Gregory, William D. Hahn, John E. Hankison, Richard C. Heymann, Sr., Henson L. Jones, Frank J. Koegler, Robert G. Landers, Carl R. Megowen, William M. Richards, J. Harold Ryan, Alvin E. Seeman and W. Paul Zimmerman. Following the annual meeting, the Board of Directors re-elected all officers.

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Richard E Hanson has announced his resignation as Vice-President and Eastern representative of the **City National Bank and Trust Company of Chicago.** Mr. Hanson, who has been located in Philadelphia, joined the Chicago bank in May of last year after many years of service in Eastern banking circles.

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At the annual meeting on Jan. 11 of the stockholders of **Harris Trust and Savings Bank, Chicago,** with Kenneth V. Zwiener, President of the bank, presiding, two new directors were elected to the Harris Bank board, and approval was given to the plans to increase the bank's capital stock from $12,000,000 to $15,000,000. The newly elected directors are Robert W. Galvin, Executive Vice-President, of Motorola, Inc., and Vincent Yager, Vice-President and chief credit officer of the bank. They will fill the places on the board vacated by James M. Barker and Mark A. Brown, who are retiring in accordance with the board's policy respecting tenure of directors.

The increase in the bank's capital stock resulted from stockholder approval of the recommendation of the board of directors to transfer $3,000,000 from undivided profits of which mention was made in our Dec. 22 issue, page 2769. This transfer brings Harris Bank capital stock to $15,000,000, in addition to $20,000,000 in surplus, and undivided profits in excess of $7,000,000. Following the stockholders' action, the bank's directors declared a 25% stock dividend, equal to one new share for each four shares presently held, to be distributed to stockholders of record Jan. 20. Certificates for the full shares and scrip certificates for fractional shares will be issued Feb. 1. The new shares will participate in the dividend determined by the board of directors for payment on April 2.

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William W. Scott, President of Federal Sign & Signal Corp., has been elected a director of the **South East National Bank of Chicago, Ill.,** it was announced on Jan. 11, by Clarence A. Beutel, President. Mr. Scott is a veteran of 33 years' service with Federal, manufacturer of electrical outdoor advertising signs and visual and audible signalling devices.

* * *

The City National Bank & Trust Company of Chicago, Ill., announced on Jan. 10 the election of Arthur T. Leonard as President and Chief Executive Officer; A. R. Floreen, Chairman of the Executive Committee; and the election to the Board of Directors of William H. Miller, Senior Vice-President and Richard T. Cragg of R. Cooper, Jr., inc. The re-election of all other officers, is also announced.

* * *

Joseph M. Dodge, Chairman of the Board of **The Detroit Bank, of Detroit, Mich.,** reported that at the annual meeting of shareholders on Jan. 17 a 50% common stock dividend was approved, and an increase of 412,500 shares of stock amounting to $4,125,000 was authorized. When the stock dividend is issued, the capital stock will total $12,375,000 consisting of 1,237,500 shares. The stock dividend of 50% (one full share for each two shares owned) will be payable Feb. 8, to shareholders of record Jan. 17.

Chairman Dodge, of the board of The Detroit Bank, also announces the following appointments at the directors' meeting on Jan. 17: Rodkey Craighead, Theodore A. Dauer, George L. Hawkins, Dix Humphrey, and Clyde H. McDougall from Assistant Cashiers to Assistant Vice-Presidents; Robert E. Dean, Eugene J. Hogue, Raymond T. Huetteman, and Wilson D. Tyler to Assistant Cashiers.

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George R. Fink retired as a director of **Manufacturers National Bank of Detroit** at the annual meeting of the bank's stockholders on Jan. 17. At the same time Harry J. Loynd, President of Parke, Davis & Co., was elected to the bank's board. All other directors were re-elected. Mr. Loynd is also a director and Executive Committee member of the American Drug Manufacturers' Association; member, Executive Committee, American Foundation for Pharmaceutical Education; director, the World Medical Association and director, the Detroit Board of Commerce, etc.

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James L. Ford, Jr., Vice-President of **First National Bank in St. Louis, Mo.,** died on Jan. 15, as a result of a heart attack. He began his business career as head of the food brokerage firm of Ford & Doan, founded by his father. In 1923, he sold out his food business and became President successively of the **Franklin Bank** and the **Franklin-American Trust Company.** He became associated with First National Bank in 1931.

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Otto S. Heinecke, President of **Jefferson-Gravois Bank, of St. Louis, Mo.,** was elected Chairman of the bank's Executive Committee, and Relly E. Andrews, formerly Vice-President and Cashier, was elected President at the bank's annual meeting of stockholders on Jan. 13. Wendelin A. Martin, Vice-President, will assume the additional title of Cashier. Also promoted were the following: to Vice-President, Stanley T. Hofmeister; General Auditor, Harry T. Schuessler; Assistant Secretary, Miss Olga Kropp; Assistant Vice-President, Charles A. Vogel; Assistant Vice-President, Edwin J. Kadlec; Assistant Cashier, Lawrence B. Krebs.

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An increase in the capital of the **First National Bank of Shelby, North Carolina,** from $300,000 to $500,000 became effective on Dec. 6, the increase having resulted from a stock dividend of $100,000 and the sale of $100,000 of new stock.

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For the second time in nine months shareholders of **Citizens & Southern National Bank of Atlanta, Ga.** have voted in favor of an increase in the bank's capital and surplus, this time for $5 million. Together with $8 million added in 1955 the new increase will bring the bank's capital and surplus accounts to $30 million, the largest, it is said, in the South-east.

The new five million increase, Mr. Lane said, will come from transfer of two million from the bank's undivided profits and reserves and from raising three million in new money. Present shareholders will receive rights good for 30 days entitling them to subscribe to one new share of stock at $30 a share for each nine they hold. This action will bring the number of bank shares to one million represented by 10 million in capital and 20 million in surplus, or three times the amount of C and S capital and surplus on hand 10 years earlier. Stockholders also approved establishment of the Citizens and Southern Fund into which the bank will be authorized to put up to 3% of its gross earnings annually for use in supporting civic and charitable undertakings.

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Wiley R. Reynolds, Jr., President of the **First National Bank in Palm Beach, Fla.** has announced that the regular semi-annual dividend of 75 cents per share, plus an extra 15-cent dividend, was declared by the Board of Directors at their regular monthly meeting held Dec. 8. This cash dividend of $90,000 makes a total for the year of $165,000 paid to more than 340 stockholders. The dividend was paid on Dec. 30 to stockholders of record as of Dec. 23. The Directors voted a transfer of $500,000 from the undivided profits account to the surplus account, making it total $2,500,000 and leaving an excess of $1,000,000 in undivided profits. The capital stock of the bank remains at $1,000,000.

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The Commercial Bank of Utah, with eight branch banks and total assets of $20,000,000, on Jan. 11 was acquired by the **First Security Bank** system, according to George S. Eccles, President of the **First Security Corporation** and **First Security Bank of Utah, N. A.** It is said to be the largest bank merger in Utah's history. First Security's assets, with the new merger, will total $462,184,032, according to Jan. 1 figures. Papers for the transfer of stock were signed in Salt Lake City on Jan. 11, by Mr. Eccles and P. P. Thomas, President, and Max Thomas, Executive Vice-President of **The Commercial Bank of Utah.** "At our annual stockholders meeting Tuesday there was a unanimous vote favoring the stock transfer," Mr. Thomas said. The stock transfer calls for a straight "across the board" exchange of a share of The Commercial Bank of Utah stock for a share of First Security Corporation stock. On Jan. 11, First Security stock was bid at $37.50 a share. The Commercial Bank of Utah's main offices are in Spanish Fork, Utah. Branch banks are all situated in Utah: at **Heber, Nephi, Payson, Delta, Roosevelt, Duchesne,** and **Eureka,** in addition to the branch at **Spanish Fork.** The acquisition brings First Secuirty's total banking offices, including **First Security Bank of Idaho** and **First Security Bank of Utah,** to 65, of which 29 are in Utah. Others are in Idaho and Wyoming. Mr. Eccles said that officers of The Commercial Bank of Utah will be merged into the leadership of the First Security system. "P. P. Thomas will become a director of First Security Corporation, and Max Thomas will become a Vice-President and director in charge of a new southern division of First Security Bank of Utah." Officers of The Commercial Bank of Utah include: P. P. Thomas, President; Max Thomas, Executive Vice-President; Joseph Hanson, Vice-President; George C. Chase, Vice-President; Charles H. Dixon, Vice-President and Cashier; Paul H. Lambert, Secretary of the Board of Directors, and Roy W. Hanson, Controller. The First Security leader said that no changes are contemplated in the managers of the eight banking offices of The Commercial Bank of Utah.

Commercial's capital accounts, as of Jan. 1, were: deposits, $17,992,154; capital, $633,000; surplus, $407,000, and undivided profits and reserves, $199,260. Beginning of what was to become The Commercial Bank of Utah came in 1905, with the organization of **The Commercial Bank of Spanish Fork.** This bank was succeeded in 1948 with the organization of the banking system known as **The Commercial Bank of Utah.** The First Security Bank system was organized in 1928, with some of the oldest banks of the inter-mountain area merging.

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FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	Dec. 31,'55 $	June 30,'55 $
Total resources	113,218,336	108,712,782
Deposits	108,131,489	104,124,510
Cash and due from banks	30,663,737	27,915,340
U. S. Govt. security holdings	50,830,580	55,730,111
Loans & discounts	21,457,985	17,819,673
Undivided profits and reserves	2,836,847	2,338,272

* * *

William W. Crocker, Chairman of **The Crocker First National Bank of San Francisco,** and Paul E. Hoover, President of **The Anglo California National Bank,** also of **San Francisco,** announced on Jan. 9 that the Comptroller of the Currency has tentatively approved the plan for consolidating the two banks. Directors of each bank have unanimously approved the plan. Special meetings of the shareholders of the institutions will be held on Feb. 6, to vote on the consolidation plan. Actual consolidation of the two banks would take effect shortly after affirmative action by the shareholders. The consolidated institution, to be named the **Crocker-Anglo National Bank,** would have assets of approximately $1,500,000,000 and would rank in deposits among the 20 largest of the nation's banks. It would have at the outset 50 offices in the San Francisco Bay area, the Sacramento and San Joaquin valleys, and the north coast region. Mr. Crocker would be Chairman and Mr. Hoover, President and Chief Executive Officer of the combined bank, which would have its headquarters at the present head office of Anglo Bank at 1 Sansome Street, San Francisco. Items regarding the merger appeared in our issues of Nov. 10, page 1984 and Dec. 1, page 2327.

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The First National Bank in Madera, Calif., will become the **Madera Office of Anglo California National Bank, of San Francisco** subject to the ratification of the shareholders of both institutions and the completion of other necessary formalities, it was announced jointly on Jan. 4 by Paul E. Hoover, President of **Anglo,** and A. J. Grasmoen, President of the First National Bank in **Madera.** Directors of both banks have approved the transaction, which will be consummated through the exchange of stock. All officers and staff members of the First National, it is indicated, will be retained in the Anglo organization and will participate fully in Anglo's pension plan, group life and hospitalization insurance and other personnel benefits, Mr. Hoover said. Mr. Grasmoen will be Vice-President and Manager of the Madera office. Other officers will be announced later. The Madera institution, established in 1934, has deposits in excess of $9,000,000. Plans for taking over its operation as a unit of the Anglo system will be announced after the shareholders ratify the transaction, Mr. Hoover and Mr. Grasmoen said.

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A series of promotions and retirements occurred recently in the **United States National Bank of Portland, Ore.** paying tribute to faithful service and honoring others with added responsibility. New branch manager for the U. S. National's branch at **Beaverton, Oregon,** is James L. Huygens, who had been Manager of the bank's West Slope office. He succeeds E. R. Mitchell who resigned his position to move to California. Replacing Mr. Huygens as the West Slope manager is Clyde W. Beckett; the latter has been with the U. S. National since 1939 and has served in both the operations and credit functions of the bank. M. Lynn Judy, formerly an Assistant Manager at the Hillsboro branch, was named as new Manager of the Sherwood branch. He succeeds W. M. Adair who retired after a 50-year banking career in Oregon. Also retiring as an Assistant Manager of the U. S. National's Hillsboro branch was William H. Blake, who started his banking career in Oregon in 1909.

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Vice-President A. M. Strong, Auditor Charles P. Heilman and Assistant Vice-President Harold N. Snapp retired as officers of the **American National Bank and Trust Company of Chicago** on Dec. 31, according to an announcement made on Dec. 29 by Chairman of the Board Lawrence F. Stern. Mr. Strong will continue with the bank. Mr. Strong entered the foreign banking field in New York in 1916 and continued with New York banks and the New York State Banking Department until 1945 when he went to Chicago to establish the foreign department of the American National Bank. Both Mr. Heilman and Mr. Snapp have served over 45 years in the banking field, and both have been with American National since its opening on La Salle Street December 4, 1933. Prior to being elected Auditor of the bank in 1946, Mr. Heilman served as a Rail Officer in the bank's commercial department. He is a past President of the Chicago Bank Auditors Conference. Besides serving as head of American National's Savings Division, Mr. Snapp is currently serving as President of the Savings Association of Loop Banks.

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Eight members were named to the board of directors of the **Michigan Bank at Detroit, Mich.** at the annual stockholders' meeting on Jan. 17. Following the stockholders' meeting the board re-elected John F. Langs, Chairman of the Board and John C. Hay, President. Other officers elected include Bruce R. Benway, Vice-President and Cashier; Arthur M. Wich and Earl W. Salomon, Vice-Presidents; Stanford C. Stoddard, F. Dale Lenington and Lawrence D. McElhone, Assistant Vice-Presidents. Directors selected by the stockholders are Gerald W. Chamberlin, S. D. Den Uyl, George M. Endicott, Emanuel J. Harris, Howard J. Stoddard, Mr. Hay, Mr. Langs and Mr. Wich. The Michigan bank only a month ago was granted a State banking charter which expanded the scope of its banking facilities. Previously, its services were limited to savings accounts, small checking accounts and installment loans. Under the new charter it will provide complete banking service through its downtown office and six branches, including business accounts, personal checking accounts, installment loans, business and commercial loans and home mortgage and modernization loans. At the time the new charter was granted the capital and surplus of the Michigan Bank was increased $1 million through the sale of additional common stock. The total capital accounts of the bank are now in excess of $2½ million. Total assets are reported as exceeding $20,000,000.

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Clark Oil & Refining Securities Offered

Loewi & Co., Milwaukee, Wis., and associates are today offering publicly 87,500 shares of $1.20 cumulative convertible preferred stock (par $20) and 25,000 shares of common stock (par $1) of Clark Oil & Refining Corp. The preferred is priced at $20.25 per share and the common at $12.37½ per share.

The 25,000 common shares are outstanding shares presently owned by Emory T. Clark, company President.

The proceeds to the Clark company from its sale of preferred stock will be added to the working capital of the company and will be available if necessary to apply in part on the building program of the company. The Clark company plans to expend approximately $1,750,000 in 1956 to increase the capacity and efficiency of its Blue Island refinery, but anticipates that the funds required therefor will be available from net earnings and depreciation.

Nils S. Geruldsen With Arthur M. Krensky Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Nils S. Geruldsen has become associated with Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Geruldsen was formerly Manager of the municipal bond department of First Securities Company of Chicago and prior thereto was an officer of Detmer & Co.

William D. Anderson, previously with First Securities Company, and Donal R. Sammet, formerly with Francis I. du Pont & Co., have also joined the firm's staff.

Shearson, Hammill to Admit New Partners

On Feb. 2, Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Reuben F. Furth III of Beverly Hills, Robert J. Humphrey, Jr., James M. Heller, John H. Schutt, and Robert A. King to partnership.

Glidden, Morris Co. 40th Anniversary

Glidden, Morris & Co., 72 Wall Street, New York City, is celebrating the 40th anniversary of its founding in 1916 by Nathaniel F. Glidden. Mr. Glidden, who has been in the securities business for 52 years, began his career with the firm of N. W. Harris & Company in 1902.

With Varnedoe Chisholm

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Don F. Sharpey is now with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building.

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A Current Banking Problem: Sproul

process, the savings and loan associations may have been given certain privileges, and certain advantages over their competitors, which are not consistent with the ideal of a fair field and healthy competition. For example, if their privileges are based on their special character as thrift institutions, promoting the application of savings to the spread of home building and home ownership, should they also have such ready and almost assured access to short-term banking funds as they now have? The process, in effect, involves loans or commitments by the associations beyond the inflow of savings, discounts of mortgage paper with the Home Loan Banks, and the sale of short-term paper, with the flavor of government backing, by the Home Loan Banks to the commercial banks. In this way, short-term banking funds in excessive amounts may be put to long-term uses, with avoidance of the discipline of thrift.

And then, of course, there are the disparate branch privileges of the Federal and State chartered savings and loan associations, which have created so much controversy, and which again raise questions as to our whole tangle of laws and regulations regarding the branches of banking and thrift institutions.

Problems Below the Surface

Well, I have said enough, I think, to indicate what I had in mind when I suggested that there are fundamental problems below the surface of those issues which have tended to split apart the financial community, and which will have to be dealt with if we are to be reasonably satisfied with our remedies. What I wish to stress is that these problems will require attention at the national as well as at the state level. I would hope, therefore, that the work which is being done on these problems by this association, by other associations, and by the State, will not only be first class but that it will stimulate and provoke national consideration of the same general problems. I would not be so theoretical as to ask you to forego trying to win a few local skirmishes, but I do suggest that the real victory, which will benefit all parties concerned, including the public you serve, will come from a fresh and thorough examination of our whole national banking and thrift machinery. A national study of the present character of our banking and thrift institutions, and of the laws and rules under which they operate, is needed. It is essential, I think, if we are seeking a fair field where each of the players can offer his special facilities, but where none of the players will have special privileges, not balanced by special responsibilities. It should not be too much to expect that all factions can unite in promoting such a national study, and I recommend it to you.

Uni-Ins. Service

BERKELEY, Calif.—Uni-Insurance Service Corporation is engaging in a securities business from offices at 2180 Milvia. Emerson E. Wiser is a principal of the firm.

Western Trader & Investor

SALT LAKE CITY, Utah—Western Trader and Invester is engaging in a securities business from offices at 29 East Second South. Clifford A. Greenman is a principal of the firm.

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What Industry Expects From Organized Labor

meet the needs and desires of consumers—and so must be guided by the market place as to prices, jobs and wages.

Consumer Has the Last Say

Unions may insist upon, and employers may agree to, a certain level of wages, but the consumer has the last say. If consumers refuse to buy the product at a price which will permit this wage level—or in sufficient quantity to keep the members of the union fully employed—it is an indication that the services of these workers have been priced out of the market. A collective bargaining agreement in these circumstances isn't worth the paper it is written on.

It is necessary, therefore, for union leadership to place some faith in management's judgment as to what wage scale and other labor cost provisions will best promote a thriving, growing business. Pattern bargaining often is harmful to an industry, and the calling of a strike to force what, in the final analysis, is an economic impossibility imposes hardship, suffering and loss on all concerned.

By the same token, contract agreements which limit the amount of work which may be perfomed, or which require more people on the job than are necessary to perform the work, are destructive of labor's interest, as well as of management's. The cost of featherbedding must show up in the price of the product and cut down its market among consumers.

Limiting a bricklayer to the number of bricks per shift that he could lay in half the time, or a tile setter to so many square feet of tile, only insures that less brickwork or tile will be used in architecture.

Gerald Strayer, a member of the Bricklayers' union of Toledo, developed a gadget to take the place of plumb lines. It enabled him to lay 1,000 bricks in the time it took other good bricklayers to lay just 800. His union officials told him to junk it. When he refused, he was fined $50. When he refused to pay the fine, he was suspended.

Management spends about $12,000 to provide plant and tools for each industrial worker. Limiting the use of these tools by slow-downs is an economic waste which can do no one any good.

The capital needs of a free economy are just as important to organized labor as they are to management. The growth and expansion of our economy, and the development of new machinery and processes which increase the earning power and the standard of living, depend on a steady flow of new capital. Here again social theory cannot prevail over economic fact.

In its own interests, organized labor should join with management in demanding that our present tax system be modified—so that people who have increased their earnings to the point where they can save a little—and this includes the vast majority of workers today—may be able to hold on to and invest more of these savings instead of having a progressively greater part grabbed by the tax collector.

A lively, expanding, growing economy, with ample opportunities for people to get better jobs and increase their earnings offers far more benefits to those in the lower income groups than the few dollars a year they might save in taxes by getting their exemptions increased.

Just as industry studies carefully the proposals advanced by organized labor, and judges them on the basis of their economic soundess, so do we expect that labor will study our proposals for their economic worth and not condemn them out of hand because they fail to jibe with the wishful-thinking of social theorists.

In the political area — where such proposals eventually stand or fall—industry calls upon organized labor to show economic responsibility. Industry urges labor to forego threats of political retaliation against public officials who fail to follow labor's demands that they support one segment of the population against all others. Industry urges labor to refrain from the preparation of arbitrary black lists as a means of exerting political pressure. Industry decries the unjustifiable and sometimes illegal use of union funds to promote candidates and causes to which many of the

In spite of this opposition, these members may be opposed.
members are forced through compulsory union membership to contribute a portion of their dues to political candidates to whom they are opposed.

The AFL-CIO Merger

This week, organized labor formed itself into one gigantic federation, with our guest, Mr. Meany, at its head. A careful reading of the constitution of this new body—and the publicly-expressed views as to its aims and objectives—has caused considerable misgiving.

Is it the primary purpose of this organization to seize political control of the country? Mr. Meany disavows any intention of setting up a labor party. He also disclaims any desire to seize control of either of our two existing political parties. But the question is not answered by such disavowals.

A proclaimed purpose of the organization is vastly stepped up activity in the political field. The men who control the new federation will have vast funds and manpower and means of communication at their disposal. This sheer weight of concentrated power may enable them to exercise effective control over either or both political parties.

In my own State of Michigan, a lady named Fay Calkins, who was a CIO staff member at the time, wrote a book called "The CIO and the Democratic Party." It describes, step by step, the manner in which the Democratic party in the State of Michigan was taken over.

Will the new organization become in effect a labor monopoly? Union leaders point out that their organization still represents only about one-fourth of the total labor force and hence cannot be accused of being a labor monopoly. This it seems to me is begging the question. A monopoly exists wherever the entire labor supply of an industry is under the control of one union—and the new federation has announced its intention of organizing industry to the greatest possible extent. When the unions which control the labor supply of a number of major industries are gathered together in a body like the new federation—where they can be made to wheel and turn in response to the voice of the high command—the entire economy of the country is threatened with monopoly control.

Will this new organization become in effect a "ghost government"? Will a handful of men, not elected, not authorized by the American people, pull strings behind the scenes to direct the destinies of the nation? It is the potentials of this situation which worry industry—and many other thoughtful citizens as well.

How Labor-Industry Harmony Can Be Created

Organized labor and industry will be able to work together in far greater harmony if the leaders of labor will be guided more by economic reality and abandon efforts to achieve by political means what cannot be justified economically at the bargaining table.

Things also will improve, I believe, if we can come to a better understanding in the area of bargaining integrity. If bargaining is to be harmonious and mutually satisfactory, it must be done in good faith.

Applying pressure during negotiations, either openly or behind the scenes, is hardly good faith bargaining. In a recent case, the Textile workers claimed the moral and legal right to call intermittent work stoppages and engage in other pressure tactics while it was supposed to be bargaining in good faith with an employer.

How can good faith negotiations proceed in an atmosphere of wild cat strikes, public vilification of the company, spurious charges reflecting on the integrity of company officials, the fanciful attribution of sinister motives to the management, sabotage of company propriety, and an endless succession of narassing and intimidating tactics?

When a bargaining agreement has been concluded, good faith demands that we live up to its spirit as well as its letter. Let us forego efforts to take advantage of trick clauses or to read into the agreement more than it contains. Let us make it a document to live by and not to fight over.

Let us, above all, place our signatures to it in all intellectual honesty and accept without reservation our full obligations under it. With responsible people, their word is their bond, and responsible agreements are possible only between responsible people.

Industry has no basic quarrel with labor organizations. We do not deny the right of employees to join labor organizations of their choosing and we acknowledge the authority of such duly constituted organizations to bargain collectively for their members.

We know, too, that we are not without our own shortcomings. Certainly, Mr. Meany has given us more than an inkling of what these are in the eyes of labor leadership. We intend to take his words to heart and to search our own souls and consciences. Naturally, we are not prepared to admit that all of his grievances are legitimate. But Mr. Meany can be sure we intend to consider honestly everything he has had to say and to adjust our own thinking and actions where honest reappraisal indicates they should be adjusted.

A Code of Conduct

I would like to propose instead a Code of Conduct under which both organized labor and industry can serve the nation better and more efficiently. This code of conduct would have five points:

(1) A recognition of the right of every individual to join a union or to refrain from joining, as he chooses.

(2) No interference with this right through violence, retaliation subterfuge or coercion of any sort.

(3) A striving for the utmost efficiency and productivity and the elimination of economic waste of every type.

(4) An end to monopoly, whether on the part of organized labor or of industry.

(5) Keep politics out of labor-management relations and avoid trying to obtain by political pressure that which cannot be justified economically.

If both organized labor and industry subscribe to this Code and respect their pledged word, we can work together to benefit the entire nation, and in doing so achieve our own goals.

We are partners together in a free economy seeking a mutually satisfactory path we can tread together. Let us hold in mind that freedom is the keynote. Let us hold in mind that true, honest freedom of every individual to make full use of his abilities and talents is the magic ingredient of the American formula. Let us build together the abundant and glorious future which is the rightful heritage of free Americans. That is our challenge. That can be our accomplishment.

Continued from page 4

The State of Trade and Industry

record, and predicted more of the same for at least the opening month of 1956.

The Bureau noted that the consumer price index for 1955 the barometer fluctuated between the narrow range of 0.8 percentage point. The Bureau called this the "greatest stability" in the index since the government began keeping track of monthly price changes in 1940.

From mid-November to mid-December, 1955, it further reported, the cost of living dropped 0.3 point. This brought the index to 114.7 on the 1947-49 base of 100, a mere 0.3 point above December, 1954. The November-to-December drop was caused by lower prices for food, transportation and housing, although medical and personal care became costlier.

In the automotive industry, notwithstanding the rash of lay-off announcements made earlier this week, all United States auto manufacturers, save Chrysler Corp., were aiming for higher output last week, "Ward's Automotive Reports" stated on Friday last.

In Canada, the General Motors strike entered its 124th day on Friday setting a new record for duration of an automotive strike in that country topping the 123-day Chrysler strike of 1946.

Chrysler activity here in the United States was hampered last week by shortages caused by the AutoLite strike dropping corporation car building some 27% below the preceding week's yield of 28,656. However, General Motors scheduling was up 3%, Ford's 2%, Studebaker-Packard's 7% and American Motors' 56%, off-setting much of Chrysler's loss, "Ward's" said.

Slated for the past week were 146,907 cars, 2% under the prior week's 149,995-unit turnout, and 24,490 trucks. A week earlier 24,717 trucks were produced.

The industry's car yield was pegged 9% under such volume in the same week in 1955. Year-to-date car building "Ward's" said, is lagging 10% behind the year ago stage, while truck builders are enjoying a 4% lead.

Commenting on the auto lay-offs which have idled some 15,000 hourly-rated workers since mid-December, "Ward's" noted that the only effect such releases have had on parts suppliers thus far has been to return them to "normal" 40-hour weeks.

A survey of major parts producers shows that only very minor lay-offs have resulted from recent car and truck plant help furloughs. Some reported continued increases in payrolls, "Ward's" concluded.

Steel Operations Established New High Record in Week Ended Jan. 22

A new weekly record in production of steel for ingots and castings was set in the week ending Jan. 22. Mills operated at 98.5% of capacity and turned out 2,428,000 net tons, "Steel" magazine reported on Monday of this week.

The metalworking weekly said the previous high of 2,421,000 net tons was produced in mid-December.

Producers will be in the best position on commitments in almost a year by the time the second quarter opens, according to "Steel." Some of the mills are booking second quarter tonnage, with allotments on the same basis as in the first quarter. They may be upped later, but tonnage won't be much freer until around midyear, it noted.

Buying for inventory will sustain pressure on the mills through the first half, especially with a possible steel strike at midyear. "Steel" said that's why reported slowing down in auto needs is resulting in other consuming lines begging for coverage. They haven't had a chance to build inventories.

Manufacturers of industrial heating equipment estimate new orders will be off 12% this year from the peacetime high totaling $85,000,000 last year. The current backlog of orders is estimated at some $60,000,000, or double the levels of a year ago. This assures the industry of a full six months of work at the record levels it achieved in 1952, states this trade journal.

Pricewise, the steel market is firm, continues this trade weekly. Some revisions in extras continue to be made, notably in the bar category. Talk is heard of a possible increase in pig iron. Currently, market speculation is directed to a proposed 7% railroad freight rate increase to go into effect Feb. 25.

Steel's price composite on finished steel is unchanged at $128 a net ton. For the first time in 12 weeks, the steelmaking scrap composite is firm at $53.33 a gross ton.

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 98.0% of capacity for the week beginning Jan. 23, 1956, equivalent to 2,413,000 tons of ingot and steel for castings as compared with 99.0% of capacity and 2,437,000 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 95.7% and production 2,309,000 tons. A year ago the actual weekly production was placed at 2,051,000 tons or 85.0%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Trended Lower the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 21, 1956, was estimated at 11,521,000,000 kwh., a decrease below the week ended Jan. 14, 1956, according to the Edison Electric Institute.

This week's output declined 73,000,000 kwh. below that of the previous week; it increased 1,540,000,000 kwh. or 15.4% above the comparable 1955 week and 2,545,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Jan. 14 Rise 16.2% Above Preceding Holiday Week

Loadings of revenue freight for the week ended Jan. 14, 1956, increased 99,039 cars or 16.2% above the preceding holiday week, the Association of American Railroads reports.

Loadings for the week ended Jan. 14, 1956, totaled 710,338 cars, an increase of 70,505 cars, or 11% above the corresponding 1955 week and an increase of 90,467 cars, or 14.6% above the corresponding week in 1954.

U. S. Automotive Output Falls 2% Under Preceding Week and 9% Below Volume of 1955 Week

Output in the automotive industry for the latest week ended Jan. 20, 1956, according to "Ward's Automotive Reports," declined 2% below the previous week and 9% under the similar week of 1955.

Last week the industry assembled an estimated 146,907 cars, compared with 149,995 (revised) in the previous week. The past week's production total of cars and trucks amounted to 171,397 units, or a decrease of 3,315 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 3,088 cars, while truck output eased by 227 vehicles during the week. In the corresponding week last year 161,150, cars and 22,407 trucks were assembled.

Last week the agency reported there were 24,490 trucks made in the United States. This compared with 24,717 in the previous week and 22,407 a year ago.

Canadian output last week was placed at 6,230 cars and 1,066 trucks. In the previous week Dominion plants built 6,009 cars and 1,026 trucks, and for the comparable 1955 week, 5,921 cars and 677 trucks.

Business Failures Continue Upward Trend

Commercial and industrial failures rose to 269 in the week ended Jan. 19 from 245 in the preceding week, Dun & Bradstreet, Inc., reports. Failures exceeded the 265 and 208 of the corresponding weeks of 1955 and 1954, reaching the highest level for any week since March 12, 1954. However, the total remained 27% below the 367 of the similar week of pre-war 1939.

Failures involving liabilities of $5,000 or more increased to 216 from 202, but were below the 229 of the similar week last year. Small failures with liabilities under $5,000, rose to 53 from 43 and considerably exceeded the total of 36 of the comparable 1955 week. Sixteen businesses failed with liabilities above $100,000 as against 25 in the previous week.

North Central to 9 from 14. Failures ran above last year in five regions, held steady in one, the East North Central States and fell off slightly in three regions, the New England, South Atlantic and Pacific States.

Wholesale Food Price Index Hits Lowest Level in Almost Six Years

Down for the third straight week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $5.86 on Jan. 17, a new low since May 2, 1950, when it stood at $5.84. The current index compares with $5.92 a week earlier, and marks a drop of 14.3% from $6.84 a year ago.

Higher in wholesale cost last week were lard, butter, sugar, coffee, cottonseed oil, potatoes and lambs. Lower in price were flour, wheat, corn, rye, oats, beef, hams, bellies, cocoa, eggs, raisins and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reflected a Slightly Easier Trend the Past Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., displayed a slightly easier trend during the past week. This brought the Jan. 17 index to 278.79, from 280.38 a week earlier. It compared with 278.16 on the corresponding date a year ago.

Grain prices as a rule finished slightly under the preceding week. Day-to-day fluctuations were narrow and publication of the Administration's new farm program had little effect marketwise. Drought conditions continued in the West and Southwest but a Weather Bureau forecast for occasional light snow in parts of Nebraska, Kansas and Oklahoma touched off considerable selling in wheat at the week-end.

Corn prices, especially in cash markets, were relatively weak, reflecting increased producer marketings and substantial offerings of government-owned corn.

Oats were under pressure and prices eased under more liberal marketings. Supplies of oats on farms on Jan. 1 were reported at a record high. Sales of grain and soybean futures on the Chicago Board of Trade were smaller last week. Daily average purchases totaled 39,000,000 bushels, against 54,700,000 the previous week and 46,000,000 a year ago.

Buying interest in both the domestic and world sugar markets showed considerable improvement last week. The volume of trading increased sharply with prices trending higher.

Cuban sugar producers were showing concern for their growing crop because of prevailing low temperatures.

The cocoa market developed further weakness under liquidating sales based on large arrivals and heavy supplies afloat, coupled with slow manufacturer demand. Warehouse stocks of cocoa were down slightly to 293,602 bags, from 301,657 a week previous, but were sharply above the 95,617 bags a year ago. Cattle receipts increased sharply last week with nearly all sections of the market showing declines. Prices for hogs and lambs were steady to slightly firmer. Buying of lard was discouraged somewhat by the continued heavy run of hogs.

Spot cotton prices advanced steadily during the week to show the best improvement in some time.

Strength was attributed to buying influenced by the generally favorable interpretation of the President's farm message to Congress.

Support was also attracted by the prospect of tightening spot supplies due to continued large loan impoundings. Loan entries again declined during the week ended Jan. 6 but were still of substantial proportions. The total for the week came to 263,000 bales, as compared with 278,000 the previous week and 407,000 two weeks ago. Net loan entries for the season through Jan. 6 totalled 5,770,000 bales.

Trade Volume Rose Moderately Both for the Week and Like Period a Year Ago

Consumer spending rose somewhat last week, and the dollar volume was slightly higher than that of the similar week a year ago. Clearance sales stimulated consumer interest in linens, glassware and women's sportswear.

Automobile dealers reported high inventories with sales volume moderately below the level of the previous week, although still highr than a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England −3 to +1; East and South +3 to +7; Middle West and Pacific Coast +4 to +8; Northwest +5 to +9 and Southwest +1 to +5%.

Wholesale buying in the week rose slightly, and the dollar volume was moderately higher than that of the corresponding 1955 week. Buyers were especially interested in Spring apparel and Summer outdoor furniture. Wholesale inventories in woolens and worsteds were scant.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 14, 1956, increased 5% above that of the like period of last year. In the preceding week, Jan. 7, 1956, a decrease of 11% was reported. For the four weeks ended Jan. 14, 1956, an increase of 9% was recorded. For the year 1955 a gain of 7% was registered above that of 1954.

Retail trade volume in New York City last week showed a marked rise above the like week a year ago, notwithstanding the inclement weather. Trade observers placed the week's gain at about 7%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 14, 1956, increased 6% above that of the like period last year. In the preceding week, Jan. 7, 1956, a decrease of 14% was recorded. For the four weeks ending Jan. 14, 1956, an increase of 7% was registered. For the year 1955 the index recorded a rise of 2% above that of the corresponding period in 1954.

Groll V.-P. of First Arizona Corp.

PHOENIX, Ariz.—The First of Arizona Company, First National Bank Building, announced, as of Jan. 1, 1956, Harold Gerhardt Groll has been appointed a Vice-President of the firm, in charge of its Municipal Bond Department.

Harold G. Groll

Mr. Groll, began his career in the investment business with the New York Stock Exchange firm of Dewey, Bacon & Co., in 1927. Prior to World War II, he conducted his own firm in New York City, with the late Howard U. Brown, a former partner of R. W. Pressprich & Co., known in Wall Street as Brown & Groll, Municipal Bond Dealers.

Mr. Groll, first came to Phoenix in 1948. Subsequently, Mr. Groll opened a Phoenix office for the securities firm of Henry Dahlberg & Co. In October of 1953, Mr. Groll returned to New York, where he joined the American Securities Corporation in the Municipal Bond Syndicate and Trading Departments. He returned to Phoenix in April of last year, and has been with The First of Arizona Company.

The members of The First of Arizona Company are, Francis C. Rogers, President; George J. Wolf, Vice-President; Derelys M. Englin, Treasurer and Assistant Secretary.

Textron American Debentures Offered

Offering of $20,000,000 Textron American, Inc. 5% convertible subordinated debentures due Jan. 1, 1971 is being made by an underwriting group headed by Blair & Co. Incorporated and Scherck, Richter Co. The debentures are priced at 100% and accrued interest from Jan. 1, 1956.

Net proceeds from the sale of the debentures initially will be added to the corporation's general funds and will be used, when required, to finance the corporations non-textile diversification program. Such use will be primarily if not entirely for the acquisition of additional non-textile businesses but may include possible future expansions of non-textile operations.

The debentures are convertible into common stock at prices ranging from $27.50 per common share on or before Dec. 31, 1959 up to $50 per share after Dec. 31, 1967. Redemption of the debentures may be made at prices of 103% in 1956, declining ½% per year to par in 1962, and thereafter, plus accrued interest in each case.

Textron American, Inc. produces and sells a diversified line of finished and unfinished textile fabrics, and is also engaged in a number of varied non-textile businesses. It is estimated that textile operations account for about 59% and non-textiles about 41% of consolidated sales. In 1953 the corporation began a program of diversifying into non-textile fields which was prompted mainly by a desire to obtain earnings which would not be subject to the wide fluctuations which have been experienced in textile profits.

With Harvell Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Bernard Weigel has been added to the staff of Harvell Investment Company, Travel Center Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● 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 preferred stockholders of record Dec. 15, 1955, in units of one share of each class of stock on the basis of three units for each four preferred shares held (with an oversubscription privilege); 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.

★ Aero-Terra Mineral Exploration Co.
Jan. 20 (letter of notification) 99,320 shares of Class A common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment and materials and exploration costs, etc. **Office**—137 O'Neil St., Kingston, N. Y. **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.

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.

● 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 then owned 496,680 shares of Plywood, Inc. stock and desired to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%. At Jan. 19, Atlas owned more than 85% of Plywood stock and extended exchange offer to expire on Feb. 20.

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.

★ Axe-Houghton Fund B, Inc.
Jan. 19 filed 2,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investments.

B. S. F. Co., Birdsboro, Pa.
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.

★ Bankers Discount & Finance Co., Inc. (2/6)
Jan. 20 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To purchase contracts, notes and mortgages from contractors. **Office**—Mt. Prospect Ave., Newark, N. J. **Underwriter**—Marlin Securities Co., same city.

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 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.

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.

★ California Water & Telephone Co. (2/8)
Jan. 19 filed 150,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — For property additions and improvements. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

● 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. Statement withdrawn on Jan. 10.

★ Capital Bakers, Inc., Harrisburg, Pa.
Jan. 19 (letter of notification) 4% non-convertible debenture bonds to be offered to employees. **Price**—At par (in denominations of $50 each. **Proceeds**—For working capital. **Office**—50 N. 13th St., Harrisburg, Pa. **Underwriter**—None.

★ Central Power & Light Co. (2/14)
Jan. 23 filed $10,000,000 of 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.

● Century Acceptance Corp. (1/30-2/3)
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.

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.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting 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.

● 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.

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.

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. (2/7)
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.

★ Crystal City Mining Co., Spokane, Wash.
Jan. 17 (letter of notification) 750,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Proceeds**

—For purchase of mill site and mill equipment, development of properties and working capital. **Office**—808 E. Sprague, Spokane, Wash. **Underwriters**—None.

● Cuba (Republic of) (1/30-2/3)
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.
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. **Offering**—Expected today (Jan. 26) or tomorrow (Jan. 27).

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 to be received up to noon (EST) on Feb. 15.

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.

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.

● 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). Statement effective Jan. 6.

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.

★ Elgen Corp., Dallas, Texas
Jan. 17 filed 38,600 shares of common stock (par 25 cents). **Price**—$12.25 per share. **Proceeds** — To repay bank loans; for new construction; and for other corporate purposes. **Business**—Furnishes oil and gas industry with an electrical well logging service. **Underwriter**—None.

★ Empire Petroleum Co., Denver, Colo.
Jan. 18 filed $2,000,000 of series "C" 6% convertible debentures due 1970 and 1,000,000 shares of common stock (par $1), of which $1,500,00 principal amount of debentures are to be offered publicly; the remaining $500,000 of debentures and the stock to be reserved for sale by the company to associates of the officers of the company and to the company's present security holders. **Price** — For debentures, at par (in denominations of $1,000 each) and for stock, $2 per share. **Proceeds**—To retire royalty units and debentures; for captial expenditures; and for working capital. **Underwriter** — H. Carl Aiken Invesments, Denver, Colo.

★ Escalante Garlic Corp., Caliente, Nev.
Jan. 20 (letter of notification) 97,417 shares of capital stock. **Price** — At par ($1 per share). **Proceeds**—For working capital. **Office**—63 Clover St., Caliente, Nev. **Underwriter**—None.

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.

★ Fidelity Finance Corp. (dba American Finance Co.
Jan. 13 (letter of notification) $300,000 of 15-year 6% sinking fund debentures due in 1970 (in denominations of $1,000 and $500). **Price**—At par. **Proceeds**—To reduce bank borrowings and retire outstanding notes. **Office**—10 N. California St., Stockton, Calif. **Underwriter**—Wilson, Johnson & Higgins, San Francisco, Calif.

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) being offered for subscription by class A and class B stockholders of The Finance Co. of America at Baltimore of record Jan. 12 on a 1-for-5 basis; rights to expire on Jan. 31. **Price**—$20.50 per share. **Proceeds**—For 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.

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NEW ISSUE CALENDAR

January 27 (Friday)
Lisbon Uranium Corp. — Common
(Offering to stockholders—no underwriting) 1,306,209 shares

January 30 (Monday)
Century Acceptance Corp. — Debentures
(Paul C. Kimball & Co.) $750,000
Cooper-Jarrett, Inc. — Common
(Allen & Co.) 125,000 shares
Cuba (Republic of) — Bonds
(Allen & Co.) $2,000,000
O'Quin Corp. — Preferred
(Arnold Feldman Co.) $46,500
Western States Refining Co. — Debens. & Common
(J. Barth & Co.) $1,102,500

January 31 (Tuesday)
Northwestern Bell Telephone Co. — Debentures
(Bids 11 a.m. EST) $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.) 191,834 shares
Seaboard Drug Co., Inc. — Class A
(Foster-Mann, Inc.) $300,000

February 2 (Thursday)
Chesapeake & Ohio Ry. — Equip. Trust Ctfs.
(Bids noon EST) $4,800,000

February 6 (Monday)
Bankers Discount & Finance Co., Inc. — Common
(Marlin Securities Co.) $300,000
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
West Disinfecting Co. — Common
(Coffin & Burr, Inc.) $58,030

February 7 (Tuesday)
Craig Systems, Inc. — Common
(Hemphill, Noyes & Co.; W. E. Hutton & Co.; and Lee Higginson Corp.) 355,000 shares

February 8 (Wednesday)
California Water & Telephone Co. — Common
(Blyth & Co., Inc.) 150,000 shares
Radiation, Inc. — Class A Common
(Johnson, Lane, Space & Co., Inc.) $750,000

February 13 (Monday)
Piasecki Aircraft Corp. — Common
(Emanuel, Deetjen & Co.) 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
Glasscock (C. G.)-Tidelands Oil Co. — Common
(First California Co.; William R. Staats & Co.; and Eastman, Dillon & Co.) 350,000 shares
Southern California Edison Co. — Preferred
(The First Boston Corp. and Dean Witter & Co.) 1,200,000 shares

February 15 (Wednesday)
Dallas Power & Light Co. — Bonds
(Bids to be invited) $10,000,000
Elco Corp. — Common
(S. D. Fuller & Co.) $212,500
Lowenstein (M.) & Sons, Inc. — Debentures
(Eastman, Dillon & Co.) $10,000,000

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 10 a.m. CST) 704,466 shares
Northern States Power Co. — Preferred
(Bids 11 a.m. CST) $10,000,000

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 7 (Wednesday)
Houston Lighting & Power Co. — Bonds
(Bids to be invited) $25,000,000

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

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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 B voting common stock (par $25), being offered for subscription by holders of class A common stock on a 2-for-1 basis from Jan. 15 to April 1, 1956. **Price**—$36.50 per share. **Proceeds**—For capital and surplus. **Office**—4143 N. 19th Ave., Phoenix, Ariz. **Underwriter**—None.

★ **G. B. Investment Co., Chandler, Ariz.**
Jan. 19 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds** — To purchase property and for improvement of same. **Address**—Box 575, Chandler, Ariz. **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 basis of one new share and $1.50, plus 8⅓ cents accrued dividend to Feb. 29, 1956, for each old share from about Feb. 3 to Feb. 23; 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.

★ **General Uranium Corp. (N. J.), New York**
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President.

★ **Glasscock (C. G.)-Tidelands Oil Co. (2/14)**
Jan. 18 filed 350,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from private sale of $3,000,000 notes to insurance company, to repay advances to company, to pay for cost of new drilling platform and for cost of other captal expenditures and for working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; William R. Staats & Co., Los Angeles, Calif.; and Eastman, Dillon & Co., New York.

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.

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. Statement withdrawn Nov. 28.

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. Statement effective Jan. 10.

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.

★ **Holiday Mines, Inc., Bremerton, Wash.**
Jan. 16 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—515 Fourth St., Bremerton, Wash. **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**—Mohawk Valley Investing Co., Utica, N. Y.

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.

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.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable 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) being offered for subscription by common stockholders of record Jan. 15, 1956 on the basis of 0.365 share for each share held (with an oversubscription privilege); rights to expire on Feb. 7. **Price**—$1[illegible] 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 nonassessable 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.

★ **Lowenstein (M.) & Sons, Inc. (2/15)**
Jan. 20 filed $40,000,000 of 25-year subordinate debentures due Feb. 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans; approximately $5,000,000 to pay balance of purchase price of the inventories of the cotton division of Pacific Mills; and $5,718,336 will be used in connection with the redemption o[f] 54,984 shares of 4¼% cumulative preferred stock, serie[s] A, at $104 per share, plus accrued dividends; and fo[r] working capital. **Underwriter**—Eastman, Dillon & Co., New York.

Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% pre[-]ferred stock. **Price**—At par ($50 per share). **Proceed[s]**—To reduce short term indebtedness and for constructio[n] program. **Office**—35 Park Avenue East, Mansfield, Ohi[o]. **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 workin[g] capital. **Business**—Cutting tools. **Office**—275 Jefferso[n] St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Mari-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of commo[n] stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to sellin[g] a soil conditioner. **Office**—681 Market St., San Francisco, Calif.

★ **Mercantile Acceptance Corp. of California, Cali[f.]**
Jan. 18 (letter of notification) 15,000 shares of 5% cumulative first preferred stock. **Price** — At par ($20 pe[r] share). **Proceeds** — For working capital. **Office** — 33[illegible] Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Midland General Hospital, Inc., Bronx, N. Y.
Jan. 12 filed 24,120 shares of common stock (no pa[r]) and 30,000 shares of $6 dividend preferred stock (n[o] par). The company does not intend presently to se[ll] more stock than is required to raise, at most, $2,700,00[0]. **Price** — $100 per share. **Proceeds** — For constructio[n], working capital, reserve, etc. **Underwriter**—None.

Mobile Uranium & Oil Co., Salt Lake City, Uta[h]
Aug. 22 (letter of notification) 5,500,000 shares of no[n]assessable capital stock (par one cent). **Price** — Fi[ve] cents per share. **Proceeds** — For expenses incident [to] mining activities. **Office**—605 Judge Bldg., Salt La[ke] City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ **Modern Homes Corp., Dearborn, Mich.**
Jan. 20 filed 125,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To reduce current liabi[l]ities, to finance contemplated increased volume of bus[i]ness and for working capital. **Business** — Manufactur[es] and sells prefabricated homes. **Underwriter**—Campbe[ll] McCarty & Co., Inc., Detroit, Mich.

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 Homes Corp., Lafayette, Indiana
Jan. 19 (letter of notification) 4,192 shares of capital stock (par 50 cents) to be offered to certain employees. **Price**—$48 per share. **Proceeds** — For working capital. **Office**—Earl Avenue, at Wallace, Lafayette, Ind. **Underwriter**—None.

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 American Contracting Corp.
Jan. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incidental in general contracting and construction business. **Office**—9480 New Fort Road, Fort Washington, Md. **Underwriter** — The Matthew Corp., Washington, D. C.

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.

★ Northern States Power Co. (Minn.) (2/29)
Jan. 20 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competiitve bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (CST) on Feb. 29.

★ Northern States Power Co. (Minn.) (2/29)
Jan. 20 filed 704,466 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each 20 shares held. **Proceeds** — To repay bank loans and for construction program. **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. (jointly). **Bids**—Tentatively expected to be received up to 10 a.m. (CST) on Feb. 29.

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 up to 11 a.m. (EST) on Jan. 31, at Room 2315, 195 Broadway, New York, N. Y.

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.

★ O'Quin Corp. (1/30)
Jan. 18 (letter of notification) 46,500 shares of 6% preferred stock. **Price**—At par, flat ($1 per share). **Proceeds**—For working capital, etc. **Office**—595 Madison Ave., New York 22, N. Y. **Underwriter**—Arnold Feldman Co., New York City.

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.

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.

★ Park Enterprises, Inc., Aberdeen, S. D.
Jan. 17 (letter of notification) 7,500 shares of Class B common stock (no par). **Price**—$10 per share. **Proceeds**—For construction of and improvement to two speedways. **Underwriter**—None.

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. (2/13-17)
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. **Office**—Philadelphia, Pa. **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.

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% non-cumulative 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.

★ Redlands Oil Co., Ltd.
Jan. 23 filed $1,000,000 of partnership interests to be offered in minimum amounts of $25,000. **Proceeds**—To acquire leases for drilling for oil and gas and for development costs. **Underwriter** — Name to be supplied by amendment.

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. 15. **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.

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.

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● 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. **Offering** — May be suspended following SEC hearings on Jan. 30, 1956.

Sayre & Fisher Brick Co.
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.

★ Seaboard Drug Co., Inc. (2/1)
Jan. 19 (letter of notification) 300,000 shares of Class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of Mericin, Calona and Avatrol; market testing of Homatrone; and for working capital. **Office**—21 West 45th St., New York, N. Y. **Underwriter**—Foster-Mann, Inc., New York City.

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 Jan. 1, 1981 being offered as follows: $1,500,000 principal amount to employees at 95%; $900,000 to Southland Life Insurance Co. at 96%; and $12,600,000 to public at 100%; with accrued interest. **Proceeds** — For general corporate purposes. **Office** — Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales. Statement effective Jan. 16.

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.

★ Southern California Edison Co. (2/14)
Jan. 23 filed 1,200,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding bank loans and for new construction. **Underwriters** — The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif.

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.

★ Southwest Manufacturing Co. of Little Rock, Ark.
Jan. 17 (letter of notification) $100,000 of 6% convertible debentures due 1965 and 20,000 shares of common stock (par $1). **Price**—Of debentures, at par (in denominations of $1,000 each); and of stock, $5 per share. **Proceeds**—For expansion program. **Office**—Little Rock, Ark. **Underwriters**—Hill, Crawford & Lanford, Inc., and Southern Securities Corp., both of Little Rock, Ark.

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.

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 noncumulative 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 nonassessable 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.

★ Tele-Broadcasters, Inc., New York
Jan. 11 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For conversion of station "WARE" to full-time broadcasting; to buy a fourth radio station; and for general corporate purposes. **Underwriter**—Joseph Mandell Co., 48 Hudson Ave., Waldwick, N. J.

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.

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 nonassessable 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.
Jan. 17 (letter of notification) $250,000 of 6% 12-year registered subordinated sinking fund debenture notes due Jan. 1, 1968. **Price**—At par. **Proceeds**—To reduce outstanding secured obligations. **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.

★ Union of Texas Oil Co., Houston, Texas
Jan. 19 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For expenses incident to oil production. **Office** — San Jacinto Building, Houston, Tex. **Underwriter**—Mickle & Co., Houston, Texas.

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.

★ Urania, Inc., Las Vegas, Nev.
Jan. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—1802 South Main St., Las Vegas, Nev. **Underwriter**—Fenner-Streitman & Co., New York City.

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.

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 nonassessable 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.

★ West Disinfecting Co. (2/6)
Jan. 20 (letter of notification) 4,000 shares of common stock (par 50 cents). **Price**—$14.50 per share. **Proceeds**—To Caroline B. Marcuse, the selling stockholder. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

★ West Jersey Title & Guaranty Co.
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

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. (1/30-2/3)
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., Carson City, Nev. Underwriter—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

★ **Woodward & Lothrop, Inc., Washington, D. C.**
Jan. 23 filed 15,375 shares of common stock (par $10) to be offered for subcription by employees under the company's stock option plan, which was approved Nov. 18, 1955.

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.

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.

★ **American Shopping Centers, Inc., Minneapolis, Minn.**
Jan. 23 it was announced company will soon offer publicly some new securities in the approximate amount of $6,000,000. Proceeds—To acquire shopping centers. Underwriter—Carl M. Loeb, Rhoades & Co., New York.

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 & Aroostook RR. (2/1)**
Jan. 20 it was announced company plans to offer up to 29,761 shares of common stock to its stockholders of record Feb. 1 on the basis of one new share for each five shares held; rights will expire on Feb. 20. 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—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.

★ **Central Trust Co., Cincinnati, O.**
Jan. 13 the Bank offered to its stockholders of record Jan. 12, 1956, the right to subscribe on or before Feb. 15 for 40,000 additional shares of capital stock (par $25) on the basis of one new share for each seven shares held. Price—$50 per share.

★ **Central Trust Co., Rochester, N. Y.**
Jan. 21 the Bank offered to its stockholders of record Jan. 20, 1956, the right to subscribe on or before Feb. 10 for 16,800 additional shares of capital stock (par $20) on the basis of one new share for each six shares held. Price—$42 per share.

● **Chemical Corn Exchange Bank**
Jan. 17 stockholders authorized 590,425 additional shares of capital stock (par $10), which are being offered to stockholders on the basis of one new share for each eight shares held as of record Jan. 19; rights to expire on Feb. 8. Price—$44 per share. Proceeds—To increase capital and surplus. Underwriters—Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co.

★ **Chesapeake & Ohio Ry. (2/2)**
Bids will be received up to noon (EST) at Cleveland, Ohio, for the purchase from the company of $4,800,000 equipment trust certificates due annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.
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.

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.

★ **Franklin National Bank, Franklin Square, L. I., New York**
Jan. 17 it was reported that this company plans to offer to its stockholders of record Jan. 24 the right to subscribe on or before Feb. 10 for about 116,000 additional shares of capital stock on the basis of one new share for each 15 shares held. Price — $32 per share. Underwriter—Blair & Co. Incorporated, New York.

★ **General Tire & Rubber Co.**
Jan. 20 it was announced stockholders will vote Feb. 24 on approving a proposal to increase the authorized common stock to 2,500,000 from 1,750,000 shares and the authorized preference stock to 1,000,000 from 350,000 shares; also on a proposal that any issue of debentures may include a privilege to convert into common stock and permit the company to issue warrants to purchase common stock, provided the total that may be issued does not exceed 400,000 shares. Underwriter—Kidder, Peabody & Co., New York.

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.

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. (3/7)**
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. Bids — Expected to be received on March 7. Registration—Planned for Feb. 9.

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.

★ **Illinois Central RR.**
Jan. 21 it was reported company plans to issue and sell in February $9,900,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 City Power & Light Co.**
Jan. 23 it was reported company may be planning to issue and sell about $10,000,000 of preferred stock. Underwriters—Blyth & Co., Inc. and The First Boston Corp. Offering—Probably in April or May.

● **Kansas Gas & Electric Co. (2/27)**
Jan. 17 application was made to Federal Power Commission for authority 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 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)**
Jan. 17 company filed application with Federal Power Commission for authority to issue and sell 200,000 additional shares of common stock (no par). Proceeds — To repay bank loans and for construction program. Underwriter — To be determined by competitive bidding.

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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.
Jan. 25 stockholders were given the right to subscribe for 100,000 additional shares of common stock (par $20) on a 1-for-4 basis; rights to expire on Feb. 14. **Price**—$40 per share. **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**—None. **Registration**—Planned for around Feb. 10.

★ Lone Star Steel Co.
Jan. 24, E. B. Germany, President, announced that the company plans the private and public sale of new securities during the first half of the current year. **Proceeds**—To retire indebtedness of company held by the RFC and the Treasury Department. **Underwriters** — Dallas Rupe & Son; Estabrook & Co.; and Straus & Blosser.

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).

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.

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 States Power Co. (Minn.)
Jan. 19 it was announced company plans to issue and sell later this year $20,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); and Glore, Forgan & Co.

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.
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. **Offering**—Temporarily postponed.

● Pennsylvania Electric Co.
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. **Offering**—Temporarily postponed.

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.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

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
Jan. 24 bank offered 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**—$85 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Pacific Northwest Co.; Dean Witter & Co.; A. C. Allyn & Co. Inc.; Foster & Marshall; R. L. Day & Co.; Grande & Co., Inc., and Walston & Co.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who it is stated, will not underwrite the new preferred issue.

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.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks New York; Wiliam R. Staats & Co., Los Angeles, Calif. and First California Co., San Francisco, Calif. Bonds may be placed privately.

★ Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

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 thi new second preferred stock, which would be issued from time to time, in series. **Underwriters**—Stone & Webste Securities Corp. and White, Weld & Co. (jointly).

Texas Electric Service Co. (2/28)
Nov. 28 it was reported company plans to issue an sell $10,000,000 first mortgage bonds due 1986. **Proceed**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Bosto Corp.; Union Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Hemphil Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Bean (jointly); Harriman Ripley & Co. Inc. and Stone Webster Securities Corp. (jointly). **Bids**—Tentativel scheduled for Feb. 28.

Texas Industries, Inc.
Oct. 11 stockholders authorized a new issue of 30,00 shares of new common stock (no par value), of whic it is planned to initially issue 10,000 shares bearing a dividend and having a redemption value of $105 p share. **Proceeds**—For expansion program. **Underwrit**—Rauscher, Pierce & Co., Inc., Dallas, Tex.

Union Planters National Bank
Jan. 11 the Bank offered to stockholders the right subscribe for 60,000 additional shares of capital sto (par $10) on the basis of one new share for each shares held Jan. 11, 1956; rights to expire Feb. 1. **Pri**—$35 per share. **Office**—Memphis, Tenn. **Underwrit**—Equitable Securities Corp., Nashville, Tenn.

Westcoast Transmission Co., Ltd.
Nov. 21 it was reported company now plans to iss and sell publicly over $20,000,000 of securities, probab in units of debentures and stock. Bonds are expected be placed privately. **Proceeds**—For new pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

With Julien Collins Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Julien H. Collins, Jr. has joined the staff of Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Collins was formerly with Goldman, Sachs & Co. in New York.

Mutual Funds

By ROBERT R. RICH

College Curriculum Breached

For the first time investment companies will be the subject of an accredited college course when the College of the City of New York starts its spring semester next month. Leaders from the investment company business will be guest lecturers during the session to be held at the College's Bernard M. Baruch School of Business and Public Administration.

The course will be devoted exclusively to investment companies, a subject which up to now has been available for study only as part of general investment courses offered by many colleges.

The course is under the supervision of Dr. Harold S. Oberg, Director of Research for the National Association of Investment Companies, who was recently appointed to the faculty of the college.

The City College classes will be held for two hours each Wednesday evening, Feb. 8 through May 20, and "two credits" will be awarded to students who complete the course satisfactorily.

The course will cover both open- and closed-end investment companies, their management and investment policies, portfolio supervision, and the role of share ownership in family financial planning. Taxation and regulation are also included as topics among the 14 lectures which make up the course.

The new course, Economics No. 168, has been planned by Dr. Jerome B. Cohen, Associate Professor of Economics for City College, in cooperation with the Public Information Committee of the National Association of Investment Companies.

I. D. S. Assets Have Reached $1.114 Billion

Total net assets of four mutual funds managed by Investors Diversified Services, Inc. increased more than $255,000,000 during 1955, Joseph M. Fitzsimmons, President of IDS, announced today.

As of Dec. 31, 1955, combined total net assets of the four funds, Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc., and Investors Group Canadian Fund Ltd., were $1,114,707,562 as compared with $858,696,906 at the close of 1954, an increase of 29.81%.

A total of 287,100 investors owned shares in the four funds at the close of 1955, an increase of 68,390 shareholders over the 218,710 reported at the end of 1954.

The following table shows the increases in total net assets made by each fund during the calendar year 1955 as compared with the preceding calendar year-end figures.

	Dec. 31, '55	Dec. 31, '54
Investors Mutual	$890,167,902	$732,247,942
Invest. Stock Fd.	151,095,867	105,332,941
Inv. Select, Fd.	21,739,440	20,990,338
Investors Group Canadian Fund	51,704,353	125,685
Totals	$1,114,707,562	$858,696,906

Dividends totaling $54,169,924, of which $34,694,998 was derived from investment income and $19,474,926 from capital gains, were paid to shareholders in the four funds during 1955.

Shareholders in the three United States funds reinvested their 1955 dividends in the amount of $35,584,389, equivalent to 65.7%, as against the 1954 dividend reinvestment figure of $24,470,219, equivalent to 65.5%. No dividends are paid to shareholders in Investors Group Canadian Fund Ltd. in accordance with its stated policy. Instead, such ordinary income and capital gains which may be realized are reinvested, thereby increasing the assets of the Fund to a corresponding extent.

AXE-HOUGHTON mutual funds net assets rose 20% in 1955—from $90,600,187 on Dec. 31, 1954, to $108,661,535 on Dec. 31, 1955—according to preliminary figures for the full year's operations.

The star performer of the group was Axe-Houghton Fund B, which reported an increase of more than 30%—from $41,736,785 to $54,412,878. Assets for the other two funds were also up from the 1954 year-end—Axe-Houghton Fund A from $42,554,841 to $46,985,004 and Axe-Houghton Stock Fund from $6,308,561 to $7,263,653.

A fourth, E. W. Axe & Co.-managed fund, Axe Science and Electronics Corporation, commenced business only last February. Mrs. Ruth H. Axe, President, reported that its asset value had climbed to $9.57 a share at the end of 1955 as against an initial asset value of $9.15 a share.

Its net asset value on Dec. 31, 1955 was $19,516,983, lifting the total for all four funds to $128,178,518.

On a share basis, the asset value of Axe-Houghton Fund A was $6.12 on Dec. 31, 1955, as against $5.50 a year earlier (as adjusted to reflect a two-for-one stock split in September); Axe-Houghton Fund B was $25.29, as compared with $23.62, and Axe-Houghton Stock Fund was $4.03, up from $3.83.

Emerson W. Axe, President of these three funds, reported a banner year for sales. The total dollar volume in 1955 came to $21,275,018, he said, as against $16,717,081 in 1954.

D. I. F. Reports New Levels

Diversified Investment Fund, Inc., in its annual report to shareholders covering the Fund's 11th year of operations, announced that income dividends of 40 cents per share distributed during the 1955 fiscal year, concluded Nov. 30, represented the largest annual total payment per share in the history of the Fund. More than 15,000 individual and institutional shareholders shared $2,394,122 in dividends.

The Fund also reported that the 1955 fiscal year produced record high levels for net asset value per share, total net assets, number of shareholders and number of shares outstanding.

Net asset value per share on Nov. 30, 1955 amounted to $9.27 as compared with $8.37 at the 1954 fiscal year-end — an increase of 16.1% after adjustment for the 45 cents per share capital gain distribution paid Dec. 31, 1955. Net assets rose to $58,109,164, reflecting an increase of $10,251,367 over the amount reported at the close of the Fund's 1954 fiscal year.

Shareholders on Nov. 30, 1955 numbered 15,851, an increase of 1,687 over the total reported at the preceding fiscal year end. Shares outstanding increased during the same period to 6,271,425, up 554,450 from the total of 5,716,975 outstanding shares reported Nov. 30, 1954.

In keeping with its stated purpose of providing "as high an income as may be obtained prudently from a balanced portfolio of bonds, preferred stocks and common stocks," the Fund reported that it revised its investment holdings whenever in the opinion of the management individual securities during 1955 failed to contribute adequately to this income objective.

Realized net profits from these transactions at the close of the 1955 fiscal year amounted to $2,860,551. The ensuing Dec. 31, 1955 capital gain distribution of 45 cents per share represented the largest security profits distribution in the history of the Fund. This distribution was paid in full shares at net asset value as of the close of business Dec. 6, 1955, with shareholders having the option of requesting cash in lieu of additional shares.

Russell Tilton to Be Office Manager

Appointment of Russell A. Tilton, Jr., as Office Manager and Director of Personnel of Tri-Continental, Broad Street Investing and National Investors Corporations, and Whitehall Fund, Inc., 65 Broadway, New York City, was announced by Francis F. Randolph, Chairman of the Board and President of the investment companies.

Mr. Tilton, who entered the securities clearance department of J. & W. Seligman & Co., in March 1933, also will serve as Office Manager and Director of Personnel for that company, as well as for Union Securities, Broad Street Sales and Union Service Corporations.

Appointed an Assistant Treasurer of Union Securities in February 1944, after experience in the accounting and personnel departments of the associated companies, Mr. Tilton is a member of the Wall Street Cashiers Association.

Metropolitan St. Lou. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Walter H. Hallerberg has become affiliated with Metropolitan St. Louis Company, 315 North Seventh Street, members of the Midwest Stock Exchange.

Expects Investors To Re-examine Their Portfolios

"1956 will be a period in which the thoughtful investor will do well to re-examine his investment position," according to "Perspective," the monthly economic bulletin published by Calvin Bullock, Ltd.

"However, we are in a dynamic age in which the increase of our population and the vast technological changes that are taking place make for a fundamentally strong growth trend in our economy over the foreseeable future. . . ."

"No significant improvement in the present level of business activity this year is probable," the publication continues. While the problem of the Federal Reserve, for example, "has been to contain inflationary forces without injuring business," "Perspective" points out that "the investor is apprehensive that a credit boom cannot be corrected without affecting business adversely."

Examining the economic performance of 1955, the publication calls it "the best business year that this country has ever enjoyed." Gross National Product was almost twice that of the first postwar year and nearly four and a half times the level of 1939.

Key factors sparking the boom were the high levels of residential construction and automobile sales. For 1956, the publication foresees an increase, on balance, in overall construction and a probable decline in automobile sales "which is expected to have little effect upon the industries which service it."

F. W. Harder, Dir.

F. Wm. Harder

F. William Harder, of Allen & Company, investment bankers, 30 Broad Street, New York City, has been elected a director of Houdaille Industries, Inc., Ralph F. Peo, President, announced. Mr. Harder is Chairman of the Finance Committee and a director of Foremost Dairies, Inc., a director of ACF-Wrigley Stores, Inc., and of American Bosch Arma Corporation; Chairman of the Boards of Hall Scott Motors Company and W. A. Case & Son Manufacturing Company; and a director of Teleregister Corporation, and numerous other companies.

Richard G. Howes Forms Own Company

CINCINNATI, Ohio — Richard G. Howes & Company, Inc. has been formed with offices at 6 East 4th Street to specialize in revenue financing and general market bonds. Richard G. Howes is President. He was formerly in the municipal department of Nelson, Browning & Co.

A. J. Goodwin With Lee Higginson Corp.

CHICAGO, Ill.—Andrew Jackson Goodwin, Jr. has become associated with Lee Higginson Corporation, 231 South La Salle St., as Vice-President. Mr. Goodwin has recently resigned from the Securities and Exchange Commission. In the past he was with Dillon, Read & Co. in New York City.

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. 29	§98.0	*99.0	95.7	85.0
Equivalent to— Steel ingots and castings (net tons)	Jan. 29	§2,413,000	*2,437,000	2,309,000	2,051,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 13	7,013,000	7,026,450	6,945,800	6,689,200
Crude runs to stills—daily average (bbls.)	Jan. 13	¶7,349,000	8,020,000	7,644,000	7,370,000
Gasoline output (bbls.)	Jan. 13	26,847,000	27,179,000	27,069,000	24,784,000
Kerosene output (bbls.)	Jan. 13	2,448,000	2,444,000	2,428,000	2,822,000
Distillate fuel oil output (bbls.)	Jan. 13	13,541,000	13,501,000	12,077,000	12,029,000
Residual fuel oil output (bbls.)	Jan. 13	9,179,000	8,895,000	8,623,000	8,737,000
Stocks at refineries, bulk terminals, in transit, in pipe lines— Finished and unfinished gasoline (bbls.) at	Jan. 13	171,906,000	169,012,000	160,406,000	162,198,000
Kerosene (bbls.) at	Jan. 13	24,434,000	26,345,000	29,909,000	27,677,000
Distillate fuel oil (bbls.) at	Jan. 13	101,074,000	107,269,000	126,040,000	100,111,000
Residual fuel oil (bbls.) at	Jan. 13	39,325,000	33,719,000	40,935,000	50,566,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 14	710,338	611,299	714,588	639,833
Revenue freight received from connections (no. of cars)	Jan. 14	661,944	595,870	670,751	596,620
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 19	$608,230,000	$461,828,000	$458,354,000	$257,151,000
Private construction	Jan. 19	435,424,000	222,265,000	260,761,000	163,839,000
Public construction	Jan. 19	172,806,000	239,563,000	197,593,000	93,312,000
State and municipal	Jan. 19	132,233,000	167,708,000	162,495,000	83,175,000
Federal	Jan. 19	40,573,000	71,855,000	35,098,000	10,137,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 14	10,600,000	9,270,000	10,580,000	8,680,000
Pennsylvania anthracite (tons)	Jan. 14	615,000	459,000	580,000	552,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 14	104	94	255	99
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 21	11,521,000	11,594,000	11,614,000	9,981,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 19	269	245	181	265
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 18	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Jan. 18	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Jan. 18	$53.17	$53.67	$52.17	$34.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper— Domestic refinery at	Jan. 18	43.625c	43.575c	43.450c	29.700c
Export refinery at	Jan. 18	46.225c	45.100c	45.500c	32.550c
Straits tin (New York) at	Jan. 18	104.875c	106.125c	110.000c	86.750c
Lead (New York) at	Jan. 18	16.000c	16.500c	15.500c	15.500c
Lead (St. Louis) at	Jan. 18	15.800c	16.300c	15.300c	14.800c
Zinc (East St. Louis) at	Jan. 18	13.500c	13.500c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 24	95.66	95.48	94.95	97.78
Average corporate	Jan. 24	107.80	107.62	106.92	110.34
Aaa	Jan. 24	111.25	111.07	110.34	114.46
Aa	Jan. 24	109.79	109.60	108.88	112.00
A	Jan. 24	107.80	107.62	106.92	110.34
Baa	Jan. 24	102.63	102.46	102.13	104.83
Railroad Group	Jan. 24	106.04	105.69	105.34	108.52
Public Utilities Group	Jan. 24	108.16	107.98	107.27	110.88
Industrials Group	Jan. 24	109.24	108.88	108.34	111.44
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 24	2.83	2.84	2.88	2.66
Average corporate	Jan. 24	3.29	3.30	3.34	3.15
Aaa	Jan. 24	3.10	3.11	3.15	2.93
Aa	Jan. 24	3.18	3.19	3.23	3.06
A	Jan. 24	3.29	3.30	3.34	3.15
Baa	Jan. 24	3.59	3.60	3.62	3.46
Railroad Group	Jan. 24	3.39	3.41	3.43	3.25
Public Utilities Group	Jan. 24	3.27	3.28	3.32	3.12
Industrials Group	Jan. 24	3.21	3.23	3.26	3.09
MOODY'S COMMODITY INDEX	Jan. 24	403.2	402.0	403.8	415.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 14	261,871	264,364	229,795	241,055
Production (tons)	Jan. 14	296,030	182,195	296,461	255,794
Percentage of activity	Jan. 14	103	92	102	93
Unfilled orders (tons) at end of period	Jan. 14	622,501	658,142	568,726	388,392
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Jan. 20	107.47	107.54	107.14	106.47
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. 31	931,198	1,090,709	1,165,035	1,444,572
Dollar value	Dec. 31	$48,092,580	$58,484,761	$62,405,915	$68,068,161
Odd-lot purchases by dealers (customers' sales)— Number of orders—Customers' total sales	Dec. 31	782,941	1,050,447	1,037,134	1,529,630
Customers' short sales	Dec. 31	2,904	6,552	7,105	8,665
Customers' other sales	Dec. 31	780,037	1,043,895	1,030,029	1,520,965
Dollar value	Dec. 31	$36,325,614	$52,104,771	$50,486,408	$65,728,335
Round-lot sales by dealers— Number of shares—Total sales	Dec. 31	213,860	306,670	319,360	535,360
Short sales	Dec. 31	------	------	------	------
Other sales	Dec. 31	213,860	306,670	319,360	535,360
Round-lot purchases by dealers— Number of shares	Dec. 31	338,910	386,900	444,480	394,450
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. 31	227,070	489,140	520,830	658,620
Other sales	Dec. 31	8,954,210	12,042,720	12,757,820	18,647,260
Total sales	Dec. 31	9,181,280	12,531,860	13,278,650	19,305,880
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered— Total purchases	Dec. 31	1,143,820	1,556,570	1,636,070	2,319,510
Short sales	Dec. 31	119,360	230,980	232,210	348,440
Other sales	Dec. 31	1,034,450	1,212,090	1,347,320	2,049,730
Total sales	Dec. 31	1,153,810	1,443,070	1,579,530	2,398,170
Other transactions initiated on the floor— Total purchases	Dec. 31	227,820	340,120	432,100	543,970
Short sales	Dec. 31	5,800	18,760	33,920	32,300
Other sales	Dec. 31	201,090	288,390	366,430	562,320
Total sales	Dec. 31	206,890	307,150	400,350	594,620
Other transactions initiated off the floor— Total purchases	Dec. 31	431,610	690,190	733,077	729,603
Short sales	Dec. 31	53,610	126,780	119,960	100,200
Other sales	Dec. 31	367,425	599,331	635,888	862,413
Total sales	Dec. 31	421,035	726,111	755,848	962,613
Total round-lot transactions for account of members— Total purchases	Dec. 31	1,803,250	2,586,880	2,801,247	3,593,083
Short sales	Dec. 31	178,770	376,520	386,090	480,940
Other sales	Dec. 31	1,602,965	2,099,811	2,349,638	3,474,463
Total sales	Dec. 31	1,781,735	2,476,331	2,735,728	3,955,403
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group— All commodities	Jan. 17	111.5	111.7	111.2	110.1
Farm products	Jan. 17	83.9	84.6	84.5	92.6
Processed foods	Jan. 17	98.1	*98.5	97.7	104.0
Meats	Jan. 17	71.3	71.6	70.4	87.7
All commodities other than farm and foods	Jan. 17	119.9	119.9	119.5	115.1

*Revised figure. ¶Includes 825,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,090 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,310 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of December (in thousands)	$200,523,000	$173,198,000	$186,317,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$18,640,840	$17,391,265	$21,198,819
Middle Atlantic	67,337,029	96,791,353	68,040,491
South Atlantic	27,425,666	37,999,862	41,272,680
East Central	70,988,203	92,698,174	73,672,440
South Central	59,854,159	63,024,694	76,826,091
West Central	21,888,227	26,630,640	27,805,248
Mountain	16,435,783	17,673,534	17,840,717
Pacific	66,582,711	76,394,283	82,283,322
Total United States	$349,192,618	$428,603,754	$408,940,808
New York City	45,121,585	55,764,815	40,309,360
Outside New York City	304,071,033	372,838,939	368,631,448
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	191	196	204
Wholesale number	104	84	98
Retail number	404	462	413
Construction number	136	133	130
Commercial service number	73	70	72
Total number	908	945	917
Manufacturers' liabilities	$11,554,000	$14,106,000	$17,526,000
Wholesale liabilities	10,867,000	5,068,000	6,285,000
Retail liabilities	10,775,000	12,626,000	8,509,000
Construction liabilities	7,341,000	9,744,000	5,926,000
Commercial service liabilities	1,106,000	1,239,000	1,857,000
Total liabilities	$41,643,000	$42,783,000	$40,103,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	11,527	10,157	11,981
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of November (millions of dollars):			
Manufacturing	$45,600	*$45,300	$43,300
Wholesale	12,300	12,200	11,700
Retail	23,500	23,300	22,100
Total	$81,400	*$80,800	$77,100
COTTON GINNING (DEPT. OF COMMERCE)— As of Jan. 16 (running bales)	14,379,833	------	13,423,292
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	13,421,000	13,527,000	12,645,000
Durable goods	7,841,000	7,867,000	7,218,000
Nondurable goods	5,580,000	5,660,000	5,427,000
Employment Indexes (1947-49 Avge.=100)— All manufacturing	108.5	109.4	102.2
Payroll Indexes (1947-49 Average=100)—All manufacturing	163.8	164.3	143.1
Estimated number of employees in manufacturing industries— All manufacturing	16,984,000	17,075,000	16,050,000
Durable goods	9,883,000	9,895,000	9,144,000
Nondurable goods	7,101,000	7,180,000	6,906,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly Earnings— All manufacturing	$79.90	$79.52	$74.12
Durable goods	86.52	*86.31	80.15
Nondurable goods	71.23	70.12	66.47
Hours— All manufacturing	41.4	41.2	40.5
Durable goods	42.0	*41.9	41.1
Nondurable goods	40.7	*40.3	39.8
Hourly Earnings— All manufacturing	$1.93	$1.93	$1.83
Durable goods	2.06	*2.06	1.95
Nondurable goods	1.75	1.74	1.67
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — 1947-49=100 — Month of Dec.:			
Seasonally adjusted	144	144	130
Unadjusted	141	146	128
LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE—Month of November (000's omitted):			
Ordinary	$2,713,000	$2,560,000	$2,244,000
Industrial	549,000	571,000	535,000
Group	1,336,000	579,000	7,492,000
Total	$4,598,000	$3,710,000	$10,321,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$189,453,000	$182,028,000	$167,921,000
Matured endowments	53,464,000	51,605,000	49,254,000
Disability payments	9,207,000	8,800,000	8,947,000
Annuity payments	39,485,000	39,519,000	38,626,000
Surrender values	71,667,000	73,861,000	72,853,000
Policy dividends	72,397,000	69,554,000	60,354,000
Total	$435,673,000	$425,367,000	$399,965,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES— Month of November (millions of dollars):			
Inventories— Durables	$25,900	*$25,555	$23,959
Nondurable	19,651	*19,697	19,311
Total	$45,551	*$45,252	$43,270
Sales	27,318	*26,678	23,964
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of October:			
Net railway operating income	$110,929,588	$103,764,554	$90,928,805
Other income	19,294,122	17,445,386	24,558,642
Total income	$130,223,710	$121,209,940	$115,487,447
Miscellaneous deduction from income	5,275,792	4,572,365	4,117,151
Income available for fixed charges	124,947,918	116,637,575	111,370,296
Income after fixed charges	93,611,307	85,242,328	79,401,399
Other deductions	3,627,158	5,645,860	2,763,834
Net income	89,984,149	79,596,468	76,637,565
Depreciation (way & structure & equipment)	44,953,924	44,746,702	44,241,009
Federal income taxes	45,899,057	44,464,555	28,062,276
Dividend appropriations: On common stock	36,671,622	17,406,295	29,818,707
On preferred stock	1,599,624	1,027,685	3,511,651
Ratio of income to fixed charges	3.99	3.72	3.41
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	------	------
Net purchase	$234,829,850	$7,893,500	$40,965,10

Our Reporter's Report

The underwriting industry was rapidly getting back to more normal conditions this week after having just about completed the record-breaking chore of marketing 10.2 million shares of Ford Motor Co. stock for the account of the Ford Foundation.

With the turning over by the banking syndicate of the net proceeds of the offering on Friday underwriters will virtually put the finishing touches to this vast undertaking involving a total turnover of some $657,900,000.

The rousing success of the deal, correctly foreshadowed by world-wide preliminary inquiry, quite naturally has stirred up conjecture about the possibility that the Foundation may give consideration to the marketing of another block of its holdings. But at this stage it is indicated that such a move is not imminent to say the least.

Bankers now are scanning the roster of new prospects and they find things looking up. Next Tuesday Northwestern Bell Telephone Co., subsidiary of American Telephone & Telegraph Co., will open bids for an issue of $25 million of 40-year debentures. Five banking groups have been organized to bid for this business which will put the company in funds to pay off advances by the parent company for construction and for other corporate purposes.

Reynolds Metals Preferred

One of the biggest industrial preferred stock issues to come along in some time is being given its last-minute polishing in preparation for public offering.

Bankers are readying 800,000 shares of $50 preferred, series A, cumulative preferred of Reynolds Metals Co. which will provide part of the funds required to finance construction of a huge new aluminum reduction plant. An Additional $60 million will be raised through the private sale of bonds to insurance companies.

Preliminary inquiry indicates considerable interest in the preferred, at a price, with market observers disposed to expect a yield basis of 4.60% to 4.70%.

Secondary Market

Experienced observers are inclined to look for a firming tone in the secondary investment market from this point by way of better prices and corresponding shaving of yields. They point to the encouraging action of the Treasury market recently as a weathervane.

This line of thinking is based in no small measure on the theory that the Federal Reserve may be expected to take a tighter grip on the flow of funds into the real estate mortgage market.

Such a development, it is argued, would have the effect of turning institutional funds toward the bond market in greater volume for investment.

SITUATION WANTED

Trader Available

Over - the - counter Securities, Experienced — Mature — seeks Connection in N. Y. C. Box U 126, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

HELP WANTED

SALES MANAGER

Established Investment Firm in the Southwest has an opening for experienced Sales Executive to supervise retail department.

Only those presently making $25,000 annually and with greater potentials will be considered.

Box C 126, The Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 60), and a dividend of $5.00 to be payable on the capital stock, and $[illegible] to be the amount payable on Class "B" Debentures (Payment No. 37), out of net earnings for the year 1955, payable at Room No. [illegible]00, No. 20 Exchange Place, New York 5, New York, on and after February 8, 1956. The dividend on the stock will be paid to stockholders of record at the close of business January 27, 1956.

WALTON W. COX, Secretary.

New York, New York
January 27, 1956.

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of fifty cents ($.50) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1956, to the holders of record at the close of business February 10, 1956.

W. J. ROSE, Secretary

January 25, 1956.

ALUMINIUM LIMITED

DIVIDEND NOTICE

On January 18, 1956, a quarterly dividend of Fifty-five Cents per share in U.S. currency was declared on the no par value shares of this Company, payable March 5, 1956, to shareholders of record at the close of business January 27, 1956.

Montreal — JAMES A. DULLEA
January 18, 1956 — Secretary

Manufacturers of Ceramic Wall & Floor Tile

AMERICAN ENCAUSTIC TILING COMPANY, INC.

COMMON STOCK DIVIDEND

Declared January 18, 1956

15 cents per share

Payable February 29, 1956

Record Date February 15, 1956

America's OLDEST Name in Tile

DIVIDEND NOTICES

NATIONAL SHIRT SHOPS OF DELAWARE, INC.

DIVIDEND NO. 58

The Board of Directors has declared a regular quarterly dividend of 20 cents per share on the common stock, payable Feb. 29, 1956, to stockholders of record Feb. 13, 1956. Transfer Books will not be closed.

SYLVAN COLE,
Chairman of the Board

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 150 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable March 1, 1956, to stockholders of record at the close of business on February 3, 1956.

GERARD J. EGER, Secretary

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1956, to stockholders of record February 15, 1956.

EDWARD L. SHUTTS,
January 25, 1956 — President.

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 68

A regular quarterly dividend of 45 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 13, 1956 to stockholders of record at the close of business on February 29, 1956.

H. D. McHENRY,
Vice President and Secretary.

Dated: January 21, 1956.

THE SOUTHERN COMPANY
(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 25 cents per share on the outstanding shares of common stock of the Company, payable on March 6, 1956 to holders of record at the close of business on February 6, 1956.

L. H. JAEGER,
Treasurer and Secretary

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN SERVICES, INC.

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., January 20, 1956

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable March 16, 1956, to stockholders of record on February 24, 1956.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

O'okiep Copper Company Limited

Dividend No. 37

The Board of Directors today declared a dividend of twenty shillings per share on the Ordinary Shares of the Company payable March 2, 1956, subject to South African Foreign Exchange Control Approval.

The Directors authorized the distribution of the said dividend on March 13, 1956 to the holders of record at the close of business on March 6, 1956 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $2.79 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 2, 1956. Union of South Africa non-resident shareholders tax at the rate of 7.05% will be deducted.

By Order of the Board of Directors,
F. A, SCHECK, *Secretary.*
New York, N. Y., January 25, 1956.

Stauffer CHEMICAL SINCE 1885

STAUFFER CHEMICAL COMPANY

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 40¢ per share payable March 1, 1956 to the common stockholders of record at the close of business February 15, 1956. An extra dividend, previously declared and announced, of 50¢ per share was paid on January 16th to stockholders of record January 3, 1956.

Christian deDampierre
Treasurer

TEXACO

THE TEXAS COMPANY

—214th—

Consecutive Dividend

A regular quarterly dividend of ninety cents (90¢) per share on the Capital Stock of the Company has been declared this day, payable on March 10, 1956, to stockholders of record at the close of business on February 3, 1956.

The stock transfer books will remain open.

S. T. CROSSLAND
January 20, 1956 — *Vice President & Treasurer*

Southern Railway Company

SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, January 24, 1956.

Dividends aggregating 3¾% on 1,200,000 shares of Preferred Stock of Southern Railway Company of the par value of $50 per share have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
1¼% (62½¢)	Mar. 15, 1956	Feb. 15, 1956
1¼% (62½¢)	June 15, 1956	May 15, 1956
1¼% (62½¢)	Sept. 14, 1956	Aug. 15, 1956

A dividend of One Dollar ($1.00) per share on 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1955, payable on March 15, 1956, to stockholders of record at the close of business on February 15, 1956.

An extra dividend of Two Dollars ($2.00) per share on the 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1955, payable on February 15, 1956, to stockholders of record at the close of business February 3, 1956.

J. J. MAHER, *Secretary*

DIVIDEND NOTICES

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of thirty-seven and one-half cents ($.37½) per share payable March 9, 1956, to holders of Common Stock of record February 24, 1956, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

UNION CARBIDE *AND CARBON CORPORATION*

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable March 2, 1956 to stockholders of record at the close of business Feb. 3, 1956.

KENNETH H. HANNAN,
Vice-President

UGI **The United Gas Improvement Company**

DIVIDEND NOTICE

A quarterly dividend of 50c per share on the Common Stock, par value $13.50 per share, has been declared payable March 29, 1956 to stockholders of record February 29, 1956.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 2, 1956 to stockholders of record February 29, 1956.

JOHNS HOPKINS, Treasurer
Philadelphia, January 24, 1956

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK, 4.08% SERIES
Dividend No. 24
25½ cents per share.

CUMULATIVE PREFERRED STOCK, 4.88% SERIES
Dividend No. 33
30½ cents per share.

The above dividends are payable February 29, 1956, to stockholders of record February 5. *Checks will be mailed from the Company's office in Los Angeles, February 29.*

P. C. HALE, *Treasurer*

January 20, 1956

Edison

Washington . . . And You

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

WASHINGTON, D. C.—There are certain aspects of President Eisenhower's aid to education program that are self-evidently mutable in relation to known, established political trends.

The first of these is the term and the second is the prospective yield of the school bonds. The proposal is that the bonds eligible for purchase by the Federal Government should have 30-year terms and carry a maximum rate of interest ⅜th of 1% above the going long-term Federal bond rate.

These would be the local school district bonds.

The theory of this proposal is that it would set a top interest rate on local school district bonds. The idea is that in fact the rate, if often lower than this top, would be most attractive for a tax-exempt, as it would appear to be, and the overwhelming mass of such bonds would never have to be acquired under the $750 million it is proposed in the President's program to set aside for purchase of local school bonds, if necessary.

In other words, local districts would be assured of U. S. Treasury market and source of funds if they had to go as high as ⅜th of 1% above the going long-term Federal rate. The more established local bonds would go through investment channels and Uncle Sammy would become a market only to protect the smallest, less established, less known school district issues against possible excessive sales costs.

This is the theory of the best brains in the Welfare Department. They are probably satisfied they have worked out a gimmick which would avoid any great use of the $750-million bond buying fund, which looks good in the headlines standing there with such a "purty" nice big round figure.

Fix College Housing Bond Rate Terms

What the Welfare boys reckon without, however, is that Congress even if it does pass Eisenhower's school aid program, is not going to be a party to avoiding a nice fetching subsidy on the school bonds, over and apart from any other nice subsidies.

If the Welfare boys had attempted to read history as recently as it was written in 1955, they would have learned that Congress lengthened the term of college housing loans obtainable from the Housing and Home Finance Agency from a top of 40 years to one of 50 years, and fixed the maximum coupon on these loans at 2.75%. This effectively removed any chance of placing these, or many of these, out on the market, and helped insure the prospect that George Humphrey's Treasury will be shelling out most of the dough to build college dormitories, laboratories, cafeterias, and in fact almost all college buildings except classrooms.

If Congress found a subsidy on college housing loans so fetching that it would kick over the plan to restrain the volume of Federal advances thereon, certainly aid to building primary schools would have a greater political appeal. Hence it is reasonable to suppose that even if Congress voted the Eisenhower plan, it would probably at the outset provide for as liberal loan terms and low interest rates underwritten by Uncle Sammy, as it did for college housing loans.

In such case George Humphrey would find himself not merely the contingent buyer of a few small issues of local school bonds, but perhaps very near the sole market for these issues. In such case the $750-million fund would be merely a starter.

Oppose Needs Clause

Mr. Eisenhower also proposes himself a formula whereby the size to the Federal school-building dole would be varied from state to state according to the variation of each state from the average economic well-being in the country. In other words, the poorer states would get proportionately more, the wealthier states less.

That members of Congress from the higher income northeastern states can stay hitched to such a proposition is again proved historically inaccurate. The bill which came out of the House committee in 1955 proposed an uniform flat rate, according to a formula, but without subsidizing the poorer states.

Obviously the Eisenhower Administration stressed the idea of relative need, for the whole excuse the spenders have used to try to shoehorn the Federal Government into local aid for education is that some states are falling behind in school building because they allegedly have not got the money.

However, when and if a school aid program does pass, either initially or in a short period of years, a formula for subsidizing the poorer states at the expense of the wealthier states will soon be wiped out. And once school aid is on the books, nobody will quite remember the excuses used to justify its enactment.

Says Program Is "Temporary"

A great point was made by the Eisenhower Administration that the proposed school aid program is "temporary," being limited to five years' duration. Almost with sardonic comedy, however, the same plea to Congress to underwrite school building construction requested another one-year extension of one of the two phases of Federal subsidy for "Federally-impacted" areas. A "Federally-impacted" area is one where a defense installation or factory once moved a lot of people into a community in a hurry. The Federal Government both subsidizes school construction and school operating costs in "impacted" areas.

Initially the "impacted area" program was "temporary," being enacted on a year-to-year basis. If there has been a serious attempt to find some other way of getting this expensive subsidy of schools off the backs of Federal taxpayers, it has not become generally known. In response to a question, Marion Folsom, Welfare Secretary, said he could not state when this program should come to an end.

In fact, publishers of dictionaries could write a new definition of the word, "permanent," as follows: "permanent, like a 'temporary' tax rate or a 'temporary' new class of subsidy once voted by Congress."

Forgets Teacher Pay

Another facet of the President's school aid program is that initially it deals only with subsidizing school construction. The drumfire of the educationists, and those who are dripping tears about problems of education including bureaucrats ambitious to spend more money, has been concentrated on the alleged low pay of teachers to a degree just short of the emphasis upon the alleged need for more school buildings.

Hence it is reasonable that once the Federal Government contracts to share the responsibility for local school costs by shouldering construction costs, that it will only be a matter of time before teacher pay subsidies will become a real and not fanciful Federal issue. Say about the time of the Presidential campaign of 1960, and the session of Congress which meets on the eve of that campaign.

A White House Reform

A great deal of attention is being given to procedural reforms to lighten the burdens of the President. These procedural reforms, like hundreds of "reorganization" reforms which have been agitated for years in this capital *ad nauseum*, are directed at the manifestations rather than the substance of basic problems.

One recalls, for instance, the "Legislative Reorganization Act of 1947." Operating on the theory that Congressmen had to spread themselves too thin over too many committees, this act merely abolished some of the committees and consolidated them. It did not seem to occur to the reformers that the real problem was that Congress is acting upon such an enormous docket and diversity of problems, that anything like knowing what they are really doing is utterly beyond the capacity of the hardest working MC's.

Former President Hoover advocates the office of an "Administrative Vice - President," without seeming to realize that Sherman Adams *de facto* precisely fills this bill—and many others. Mr. Hoover's sincerity is not questioned, for he obviously devoted more of his personal attention to his $4-billion government than Mr. Eisenhower does to his $65-billion government.

However, to some old hands there is one reform which appears to have possibilities. It is based on this problem:

The greatest weakness of the Presidency, regardless of the times, the man in the White House, or the party, is that the President almost meets NO face-to-face criticism. There is no one of stature who can appear before him and, as it were, "cut him down to size," like a member of the British Cabinet or Prime Minister who can be panned in public before Parliament.

The man is physically insulated from personal criticism.

The other phase of the problem is that the White House is just about a perfect engine to build up a man's ego, to inflate it. He is importuned dozens of times a day to endorse everything from grape nuts to Michigan cherries, to address nut and bolt manufacturers or university commencements. Very few of a President's former intimates will when he is in the White House, presume to call him "Ike" or "Harry."

In other words, the White House is probably the most efficient "Adulation Machine" of the 20th century, rivaling in its absence of criticism and its highly-organized, 24-hour-a-day program to build up a President's ego, the courts of absolute monarchs of old.

It would take a man of amazing pessimism about his own abilities or of the capacity of a genius to see through this, not to lose his sense of humor and proportion.

The reform is to establish a constitutional officer to be known by some such title as the "Official President's Jester." This official should be cleared to attend the most secret meetings. His responsibility should be, whenever he sees the President's ego being unduly kowtowed to, to utter an impious declaration appropriate to the occasion, a loud razzberry, or a plain "baloney."

It is because of the unquestioned capacity of the White House establishment to destroy a man's self-criticism that some people here expect the President to seek a second term—unless he has already decided to hold the fort for Dickey Nixon.

[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

"I understand the temperature in the park is five above zero today!"

West Virginia Is Promoting Industry

Gov. William C. Marland of West Virginia has completed a

William C. Marland

most successful nationwide tour to promote his state as a desirable site for industry.

West Virginia black diamonds are now being made up into attractive cuff links and earrings which is a new product for the famous coal mines.