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EDITORIAL

As We See It

THE YEAR AHEAD

Two broad, basic questions confront all students of the current economic situation and all those who must reach business decisions normally affected if not controlled by estimates of the events of the coming year. One of them is:

Will the current record breaking rate of general business activity prove sustainable throughout the course of 1957, or the larger part of it?

The other is:

Can the present rather feverish activity be long sustained without generating factors which must sooner or later result in serious difficulty?

Neither of these questions finds an easy or certain answer, but an affirmative response is probably more nearly unanimous to the first than in the second. Despite the fact that the boom has been under way, with only minor pauses, for an unusual length of time, few seem to be disposed to very much doubt about its continuance for a good many months to come. On the other hand, the persistent upward tendency in prices, rising labor costs, large and increasing general indebtedness, creeping enlargement of governmental outlays, insistent general effort to buy more and more in the face of something approaching full utilization of resources, all seem to a good many to suggest the possibility of untoward conditions in the making.

There can be no doubt about the fact that current output, all taken together, is at a record level. It is also quite clear that no indications are in evidence of any early decline. So much higher

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What's Ahead in the Securities Market

By EDMUND W. TABELL*
Director of Institutional Research, Walston & Co., Inc.
Members New York Stock Exchange

Market analyst maintains major economic trends are favorable, excepting for the wage-price inflation spiral. Notes problems posed by taxation and financing needs. For the 1957 stock market he envisages a wide trading area in 530-430 range for the Dow-Jones Industrial Average. Stresses need for extreme selectivity, favoring air-conditioning, aircraft, airlines, cement, coal, drug, electrical equipment, machinery, metals, natural gas, oil, and steel groups; comprising defense, labor-saving or wealth-in-the-ground areas. Over the next decade, holds outlook for both business and the market is extremely constructive.

There was once an old Southern preacher whose sermons were noted around the countryside for their complete overall coverage of the subject and their brevity. When asked for the reason for his successful sermonizing, he gave the following formula: He said, "first, I tells them what I'm going to tell them. Then, I tell them. And finally, I tells them what I told them." I think I will use that formula here.

Edmund W. Tabell

I am going to tell you that the long range basic forces that have brought about the enormous increase in economic activity since 1946 will continue to exert powerful pressure on the economy over the years ahead and that these fundamental forces are much more important to the investor than the short term uncertainties that will crop up from time to time. I am going to tell you that I believe that business, labor and government will have to adopt a more realistic approach to

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*An address by Mr. Tabell before the Los Angeles Chamber of Commerce, Jan. 9, 1957.

Business and Finance Speaks After Turn of the Year

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

HON. HERBERT BROWNELL, JR.
Attorney General of United States

Vigorous and effective antitrust enforcement will continue in 1957.

Last year, in 1956, 46 antitrust cases were filed. I look for the same high level of activity in the coming year. Believing that competition in a free economy opens unrivaled opportunity and brings the greatest good to the greatest number, the Administration is pledged to a continuously vigorous enforcement of the antitrust laws.

Herbert Brownell, Jr.

One phase of antitrust enforcement which has been particularly important in the past few years has been in the field of corporate mergers. In the past four years the Antitrust Division has reviewed approximately 2,135 reports of acquisitions. In 1955, five, and in 1956, six proceedings have challenged mergers. Judging from current trends, 1957 will see a similar emphasis.

A number of other highly significant cases were filed in 1956. The majority of the Department's cases have attacked such traditional "hardcore" violations as price-fixing, boycotts and allocation of customers or territories. So clearly at odds with the fundamentals of a competitive economy, these activities cannot and will not be tolerated.

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The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Oil and Gas Property Management, Inc.—Warren E. Buffett, Manager, General Private Investment Groups, Omaha, Neb. (Page 2)

Century Engineers, Inc.—Robert D. Tucker, Research Dept., Morgan & Co., Los Angeles, Calif. (Page 2)

WARREN E. BUFFETT

Manager, Several Private Investment Groups, Omaha, Neb.

Oil and Gas Property Management, Inc.

A more fitting title for my selection would be "The Inflation Hedge I Like Best." Should inflation continue O & G may well be the vehicle to give the investor the same supercharged performance that highly leveraged investment trusts and warrants did in the early 40's.

Warren E. Buffett

O & G was organized in 1953 by interests affiliated with the Empire Trust to buy and manage producing oil and gas properties. The management is of the highest caliber and the Empire's reputation and experience in oil matters has undoubtedly been of considerable value. Purchases have been made subject to substantial oil payments with a large portion of income in early years used to extinguish these payments. This method might be compared to real estate purchased subject to large mortgages with rental income, exclusive of that portion needed for operating expenses, utilized for mortgage reduction. The tax laws facilitate this method very considerably when applied to oil by allowing all payments as a direct exclusion from income. Accounting-wise, the result is to show a very small gross income while the equity is being built up substantially. Accordingly, the financial services do not show accurately the operating picture of O & G and the interested reader should study the annual reports of the company.

The equity money for O & G was originally raised by the sale of $10 million income debentures with 300,000 shares of stock attached. This issue was exceptionally well placed in large blocks with Wall Street houses, investment trusts, etc. The underwriting fee on the sale amounted to about ¼ of 1%. An additional 80,000 shares of common were sold to the promoting group with the Empire Trust reputedly owning over 50,000 shares in a subsidiary. Large issues of warrants and options are conspicuous by their absence.

The equity money of O & G was invested by the end of 1954. Thus the company has acquired its properties on a somewhat more reasonable basis than might be expected at current higher prices for oil in the ground.

The table below shows the substantial reserves of the company and illustrates the dynamic possibilities of the small issue of common stock even should no increase in oil and gas prices occur. Figures are based on the 1955 annual report and we understand there has been little change since that date.

Item	Gross Reserves	Net Reserve for Stk. & Debs.	Esti. Gross Value of Net Reserves
Oil & Plant Products	38,017,000 bbls.	26,600,000 bbls.	$73,150,000 ($2.75 bbl.)
Gas	500,957,000 MCF	199,800,000 MCF	$17,982,000 (9c MCF)

The net reserves for stock and debentures reflect the reduction from gross reserves of amounts sufficient to retire oil payments and loans. The debentures are income bonds and are not expected to pay their interest (which cumulates) until most of the oil payments have been liquidated. Accordingly, it may be estimated that approximately $15 million will be required to retire the debentures with interest. Operating expenses of course must be deducted from the gross values in the last column of the table and in the case of plant products, which represent half the oil reserves, will be more than average. Allowing $35 million for operating expenses and possible taxes still leaves a potential for the common of $40 million. Future acquisitions could increase this substantially.

The 380,000 shares of common have a total market value of about $5 million which makes the arithmetic of the picture fascinating. An increase in the price of oil of 15 cents per barrel or 1 cent per MCF in the case of gas is equal to the entire market value of the common. If oil over the next few years were to increase in price 50 cents per barrel, the gain in value would be equal to almost 400% of the current total market price of the common.

At the end of 1955 the company had about $49 million of oil payments and about $17 million of loans and debentures ahead of the 380,000 shares of common. However, over $33 million of the payments is applicable to one property and it is important to note that payments are obligations of only the specific property, not the company. The balance of payments amounted to less than $16 million and were reduced by $4 million in 1955 alone. Currently the average payout on these is probably less than three years away.

It is interesting to compare O & G with its more well known counterpart — Producing Properties, Inc. This company also started with about $10 million of equity capital although it didn't get under way until early 1955. At a recent date PP's production was running about 2,200 barrels per day against over 7,000 for O & G and their net reserves were also less than a third those of O & G. On the other hand, they had invested only about half of their equity money so it is not to be implied that they were doing a poorer job of investing the money—it is just that they got off to a later start. However, PP common is selling in the market for about $14 million and, in our opinion, represents less value and potential than is present in O & G selling for $5 million. If O & G were to command only the same valuation, it would mean a price of over $35 per share.

O & G also owns a half interest in Yemen Development Corp. which holds a concession on two-thirds of Yemen covering 40,000 square miles including a large basin area. Geological reports are favorable although Suez unrest will undoubtedly delay testing this area. Offsetting this plus potential in the picture is a minus potential in that the largest property of O & G is involved in litigation concerning gas prices. O & G's position has been upheld by the FPC; however, the matter is now before the courts.

O & G common, selling around 14 in the Over-the-Counter Market, should do very well if present oil prices are maintained and presents outstanding possibilities should inflation continue. Behind $65 million of obligations with an estimated gross value of oil and gas offsetting these obligations of $150 million, the $5 million market valuation on the common seems to offer considerably higher chances for gain than for loss. A small investment in O & G should do the job that a many times larger investment in a non-leveraged oil holding would do while exposing the holder to a much smaller maximum loss.

ROBERT D. TUCKER

Research Department
Morgan & Co., Los Angeles, Calif.
Member Los Angeles Stock Exchange

Century Engineers, Inc.

Century Engineers is a highly competent technical organization which was formed in 1949 with the express aim of getting together a group of engineers well qualified in several fields to be the over-flow engineering department for large companies and the overall engineering department for small companies. This was the basis of the company's beginning and its early activity. However, it soon became evident that to take advantage of the creative ability of the engineers they should be supplemented with prototype shop facilities and, eventually, with manufacturing facilities.

Robert D. Tucker

From the 1949 beginning wherein three engineers produced a total gross revenue of $36,000 to 1956 when a total company organization of approximately 350 people will gross approximately $6.8 million, this plan has been closely followed. The engineering and scientific personnel at Century are men who are well qualified to discuss theoretical problems with military scientists one minute and discuss fabrication problems with their own experimental mechanics the next.

Century is presently operating in five separate, but not unrelated, fields of activity. Their ultimate aim of having overall systems capability for a complete weapon system is presently subdivided into the following fields:

(1) **Aircraft Armament:** Century has designed and produced various airborne rocket launchers for all sizes of rockets now in production. Also launchers and pylons for missiles.

(2) **Electro-mechanical Division:** This field includes precision data recording cameras, timing devices and various servo mechanisms. Details of the military items in this field are classified.

(3) **Aircraft Structures:** Century Engineers has participated in the design of major structural components of current military aircraft. They have designed and

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The Future of Interest Rates

By BENJAMIN M. ANDERSON, Ph.D.

Writing on the future of interest rates in 1943, Dr. Anderson believed: (1) "that sooner or later rates of interest must rise"; (2) "the Federal Reserve authorities [should] tighten the money market;" and (3) "the Treasury . . . [should pay] rates of interest on borrowing which will really attract investors' money in adequate amount . . . [and] move promptly to fund its debt into long term bonds. . . ." After reviewing forces shaping interest rates, the Economist averred that no country ever overdid four of the five capital-raising ways, and warned that debt creation through bank deposits must be cautiously done as "excess here has been the typical breeder of 'inflation' through all modern history." Author pointed out we have no "new techniques" to make bank credit expansion safer; showed where Keynes reversed his views on interest rate; and advocated a return to financial orthodoxy to strengthen confidence in Government finance, future of currency, and the whole economic picture.

Because of its timeliness and accurate forecast we believe it desirable to publish an article written by the late Dr. Benjamin M. Anderson in the latter part of 1943. He was Economist of The Chase National Bank of the City of New York, Professor of Economics at the University of California, Los Angeles, Consulting Economist of the Capitol Research Company, Los Angeles, and President and member of the Executive Committee of the Economists' National Committee on Monetary Policy. — Editor.

I think that it is not possible to make a definite forecast either as to the time or as to the amount of an increase in the rates of interest.

Benj. M. Anderson

Prevailing rates are absurdly low in the light of all past experience. That the government should be borrowing many tens of billions a year without raising the rates is contrary to all past experience. On the other hand, that the banks should be able to lend tens of billions a year to the government is an unprecedented phenomenon. And that the combination of demand deposits and money in circulation should more than double since 1939 without precipitating a dangerous "flight from the dollar," is a phenomenon which few would have anticipated.

Interest Rate Rise and Real Savings

I believe that sooner or later rates of interest must rise. If the rapidly moving expansion of bank credit precipitates acute "inflationary" phenomena, rates of interest will rise radically. If to forestall this, policy is changed and the Federal Reserve authorities tighten the money markets, and the Treasury pays rates of interest on its borrowing which will really attract investors' money in adequate amount, the increase will be substantial but more moderate. The question of the amount in the increase of interest rates is primarily the question as to whether the Federal Reserve authorities and the Treasury pull up in time, or whether they pursue existing policies until their hands are forced and control of the situation becomes difficult.

There is a fundamental theoretical issue here of first importance. I shall make the discussion as non-technical as possible. The question is as to the relation between the capital market and the money market, and the extent to which the multiplication of dollars in bank deposits and money in circulation can serve as a substitute for the real savings which economists in the past have always looked upon as the primary source of capital, and as the governing influence on the supply side in the determination of the rate of interest.

Economists Neglected the Money Factor

The great masters in the field of the theory of interest, as Boehm-Bawerk and John Bates Clark, have concerned themselves very little with money market phenomena. Interest is a phenomenon running far beyond loan transactions. It is implicit in the whole fabric of economic values. If the rate of interest is high, a piece of land may sell for ten times its annual net product. If the rate of interest is cut in half, the same piece of land may sell for twenty times its annual net product. The rate of interest binds together present and future. It governs the allocation of capital among different productive activities. If capital is very abundant and interest rates are low, activities may be undertaken which could not be undertaken if capital were scarcer and interest rates higher. The interest rate, like all other prices, has work to do in guiding and directing the

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BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1957. [Commentaries which could not be accommodated in today's issue will be given in the issue of Jan. 24.—Editor.]

* * *

In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1956.

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Observations . . .

By A. WILFRED MAY

THE 1956 MARKET PERFORMANCE IN THE STOCK SPLIT AREA

The addiction to the stock split goes on unabated!

Typically, in its account of the previous day's market, the New York "Times" of Jan. 8 said:—*INTERNATIONAL NICKEL BOOMS, THEN STUMBLES ON FAILURE TO TAKE ACTION ON SPLIT—Much of the excitement of the day was generated by corporate news. International Nickel has a sharp run-up on rumors that the stock might be split. By late in the afternoon it touched 115¼, a new high, up 5⅞, on the day. Then a spokesman for the company asserted that the directors at their meeting had not discussed such action, and the price fell. By 3:12 p.m. it was down to 113.*

A. Wilfred May

The number of stocks split set an all-time record last year. Such New York Stock Exchange issues in 1956 exceeded those in 1955 by 20%, those in 1954 by 160%, and those the previous peak year by 20%.

Such manifestation of the growing popularity of this device makes timely and important unearthing of the up-to-date facts concerning the actual price performance of the affected issues. This will shed needed light on the split's impact on the market as well as on the individual split issue's price level, one of the main justifications advanced for the process.

First, to note the effect of splitting during at least a portion of the rumor stage (in the "candidate" role) and the post-declaration period—comprising the "honeymoon" interval—we list the year's net price changes of all split New York Stock Exchange stocks admitted to trading in 1956. We compare them with the concurrent performance of the Dow-Jones Averages, with Standard & Poor's Index of 480 Combined Stocks, the S&P Index of High Grade Commons; and also measure the movement of each issue with that of the un-split issues in its respective *group*. The D-J Industrial Average of 30 stocks and the S&P High Grade Index supply appropriate yardsticks applying to the comparable growth and quality echelons of the market.

Yardstick Findings

The year's average advance in the split shares of 13.8% revealed in our following table compares with a rise of 0.79% in the D-J Composite Average of 65 stocks and a gain of 4% in S&P's 480 stocks, which likewise comprise industrials, rails and utilities.

Our compilation shows that a far greater proportion of advances occurred among the split than the un-split issues.

Of the 80 split stocks, 43, or 54%, out-performed the rest of their respective industry groups that remained un-split in 32 cases, or 40%, the non-splits out-performed the kindred un-split companies; in four cases the comparative changes were equal; and one issue (Minnesota Mining) is unclassifiable.

The Quality Factor

Since splitting is largely concentrated in companies that are growth situations or otherwise faring well, the *quality* factor may well share responsibility for the favorable market action. This conclusion is substantiated by our study which, using Standard & Poor's Index of 15 High Grade Stocks as a yardstick of the upper echelon market action, shows a similar performance (a rise of 13.8% in the split issues versus one of 11.7% in the S&P 12 un-split and three split shares High Grades).

The irregularity of the favorable record of the split issues, its narrowing with the un-split yardstick in correlation with the latter's higher-grade stocks, together with the preponderance of individual losses among the total of NYSE listed issues in the face of their over-all average price gain, reveals that in all market sectors—both split and un-split—outstanding performance by a minority of issues substantially raises the record as a whole.

The effect of dividend change, together with market performance during specific periods before and after the announcement date, we will study in a succeeding compilation. Meanwhile, in view of the application of the year's dividend rises averaging 15% to 847 of the un-split as well as split NYSE-listed companies, omission of the dividend variable in this analysis is not vital.

* * *

We may at this time conclude that the splitting process does exert some impact on the market, and stimulates the affected issues' price performance during the climactic period surrounding the declaration; but that the popular concept of such influences is exaggerated.

The 1956 Price Performance of All N.Y.S.E. Stocks Split 2-for-1 or More Whose New Shares Were Admitted to Trading During the Calendar Year

	Split Ratio	Date Admitted to Trading	Market Price Change (%)	Price Change of Respective Industry Group
Allegheny Ludlum Steel	2-1	Jan. 9	+97%	+24%
Allis-Chalmers	2-1	May 3	+ 3	+ 2
American Distilling	2-1	Mar. 21	— 7	Unch.
American Metal	2-1	May 4	— 8	+11
Amer. Potash & Chem.	2½-1	Apr. 26	+27	+ 8
Anderson-Prichard Oil	2-1	Apr. 20	+28	+17
Atchison, Topeka & S. F.	5-1	July 25	—11	— 6
Babcock & Wilcox	3-1	Apr. 5	+40	+26
Barker Bros.	2-1	Aug. 31	+19	— 5
Boeing Airplane	2-1	July 5	+58	+10
Briggs & Stratton	3-1	Mar. 22	+53	— 1
Brown Shoe	2-1	Aug. 21	—19	—11
Carpenter Steel	2-1	Jan. 31	+54	+24
Champion Paper	2-1	July 26	+ 8	— 5
Chesapeake Corp.	2-1	Mar. 21	—10	— 5
Chickasha Cotton Oil	2-1	Oct. 3	+16	— 9
Clark Equipment	2-1	Apr. 30	+42	— 1
Combustion Engineering	3-1	Apr. 25	+22	+26
Container Corp.	4-1	Sept. 13	+ 1	— 5
Continental Can	2-1	Jan. 10	+ 8	+15
Continental Insurance	2-1	Feb. 17	—12	—12
Cosden Petroleum	2-1	July 26	+ 6	+17
Crescent Corp.	5-1	Nov. 28	+20	+17
Cutler-Hammer	2-1	July 10	+51	+23
Delaware & Hudson	3-1	May 10	— 1	— 6
Dresser Industries	2-1	Nov. 20	+86	+21
Federated Dept. Stores	2-1	Jan. 27	—13	—15
Fidelity-Ph. Fire Ins.	2-1	Feb. 17	—12	—12
Gardner Denver	2-1	Aug. 28	+70	+38
General Foods	2-1	Apr. 4	— 7	— 3
General Railway Signal	3-1	Oct. 26	+33	+ 4
General Shoe	2-1	Mar. 6	—23	—11
Georgia-Pacific	2-1	Sept. 11	+47	— 5
Greenfield Tap & Die	2-1	Oct. 24	+18	+41
Hercules Powder	3-1	Mar. 21	—12	— 8
Hilton Hotels	2-1	Sept. 18	— 5	+ 4
Hussman Refrigerator	2-1	Sept. 19	+19	—12
Intertype	2-1	Feb. 21	— 4	+13
Jaeger Machine	2-1	Sept. 17	+45	+31
Johns-Manville	2-1	Mar. 12	—11	+10
Lehigh Portland Cement	2-1	Apr. 19	+10	+15
Lehman Corp.	2-1	Oct. 18	+30	+ 4
Louisville Gas & Electric	2-1	Nov. 20	+ 9	+ 7
Manhattan Shirt	2-1	June 27	— 4	+ 2
McGraw-Hill Publishing	3-1	July 25	+41	—16
Mead Corp.	2-1	Apr. 25	+ 4	— 5
Minnesota Min. & Mfg.	2-1	May 9	+20	*
Minn. & Ontario Paper	2-1	Feb. 15	— 9	— 5
Montgomery Ward	2-1	Apr. 30	—19	—19
N. Y., Chic. & St. L. RR.	2-1	May 16	— 3	— 6
North Amer. Aviation	2-1	Aug. 6	—12	+10
Northern Pacific RR.	2-1	Apr. 11	+ 5	— 6
Otis Elevator	2-1	Jan. 11	+32	+ 9
Owens-Corning Fiberglas	2-1	Apr. 26	+47	+ 6
Parker Rust Proof	2-1	Jan. 4	—10	— 8
Petroleum Corp.	2-1	Feb. 24	+20	+17
Phillips Petroleum	2-1	June 18	+30	+17
Pittsburgh Consol. Coal	3-1	Feb. 8	+37	+40
Plough Inc.	2-1	Apr. 18	+17	+11
Procter & Gamble	2-1	May 23	+ 2	—11
Revere Copper & Brass	2-1	Apr. 24	— 8	— 7
Royal Dutch Petroleum	2½-1	Nov. 21	+29	+17
Seaboard Airline RR.	2-1	Apr. 25	— 6	— 6
Seaboard Finance	2-1	Jan. 27	— 5	+ 6
Shahmoon Industries	4-1	Feb, 24	+10	— 7
Southern Railway	2½-1	May 16	+ 2	— 6
Square D Co.	3-1	Sept. 14	+70	+23
Standard Oil of Calif.	2-1	May 4	+ 8	+16
Standard Oil of N. J.	3-1	Jan. 31	+15	+17
Sterling Drug	2-1	Nov. 7	— 9	+11
Telautograph Co.	2-1	May 1	—54	+25
Texas Co.	2-1	Apr. 25	— 1	+16
Union Bag & Paper	3-1	Feb. 1	+ 1	— 5
Union Pacific RR.	5-1	May 9	—16	— 5
U. S. Freight	3-1	May 8	+27	+34
U. S. Hoffman Mach.	2-1	May 2	— 1	+40
Utah Power & Light	2-1	Oct. 9	— 2	+ 7

Continued on page 134

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SECURITIES OUTLOOK

The January issue of our timely survey assesses business prospects for the new year, together with a selected list of securities with attractive investment possibilities for 1957. Each month our Research Department discusses in this publication topics of special interest to serious-minded investors.

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Details of Hoffman

By IRA U. COBLEIGH
Enterprise Economist

A classic example of corporate expansion through diversification, U. S. Hoffman Machinery Corporation is briskly discussed and described.

Nobody seems to know exactly when diversification within an enterprise began. In agriculture, it's very old; grains along with livestock; potatoes with beans and corn. Later there were shipping syndicates which became trading companies as well; and much later in history coal and ice joined in a two season parlay; then trolleys linked with electric power systems to run them. Probably the first really broadly diversified corporation was the Hudson's Bay Company, which owned lands and boats, developed businesses, ran trading posts and bought and sold booze and furs. Most of these diversifications, as well as the trusts of the earlier 1900's, were natural and almost automatic broadenings of an original line of endeavor. Not so, however, with our subject company for today's piece, United States Hoffman Machinery Corporation. Here diversification has been achieved by deliberate design.

Ira U. Cobleigh

HMY (the N.Y.S.E. symbol of U. S. Hoffman) started its business life back in 1908, becoming a Delaware corporation in 1922. It became the world's largest producer of laundry, dry cleaning and garment pressing machinery, and for many years these were the dominant lines of corporate endeavor and the main sources of earning power. Three company properties were acquired in the thirties, and in 1946 Stanton Foundry Inc. of Solvay, N. Y., maker of gray iron castings, was added. Then the acquisition program was put on ice for eight years. But in late 1954, when new management came into the picture, one of the most aggressive drives on record for expansion of corporate earning power via the merger route, commenced.

Starting in the Spring of 1955, first the Intercontinental Mfg. Co. of Garland, Texas, was acquired. This unit is a volume producer of major aircraft components and guided missile air frames; as well as a maker of such assorted items as agricultural equipment, bus bodies, vending machines and heatless pressers. In quick succession, HMY added (80% of stock acquired) G. B. W. Mfg. Co. at College Point, N. Y., designer and developer of hydraulic, marine and aircraft instruments, and components for guided missiles, and in a quite related line, Aerolab Development Corp. (again 80% of stock was purchased) which designs and manufactures Free Flight Test Model Air Craft, and is working in the research and development of guided missiles.

In September, 1955, Apco, Inc. was acquired (again 80% owned). This, with five subsidiaries of its own, is one of the largest manufacturers of vending machines in America, producing coin-happy robots that deliver soft drinks, hot beverages, cigarettes, and assorted merchandise in ever growing volume.

Then came a bigger one—the acquisition of the Fein Group of tin can companies (sixth largest in the country)—Standard Can Corporation, and Atlas Can Corp. (with three subsidiaries). These, together, constitute the Can and Container Division of HMY; and delivered gross sales of $17 million in 1955 (larger this year) from production of tin cans, pails and metal containers.

Next, and swinging into a brand new area, HMY picked up full ownership of Schutter Candy Company of Chicago, maker of such well known carbohydrate confections as Bit-O-Honey and Old Nick candy bars.

Again moving far afield, Hoffman, in November, 1955, bought an 80% interest in Radiant Manufacturing Corp., world's largest manufacturer of home film projection screens, as well as a producer of screens for industry; and world wide sales agent for anamorphic lenses used with CinemaScope pictures.

This brings us up to 1956 when still more mergers were arranged: Anton Electronic Laboratories Inc. in Brooklyn, N. Y., patent holder and researcher in nucleonics and electronics; Rexart Metal Industries, Inc. (New York), completely integrated maker of aluminum furniture, from billet to back rest; and George McKibbin and Son, a leading book manufacturing company; and in November, 1956, Highland Manufacturing Co.

Financial control of all subsidiary operations is centered in Hoffman Machinery Credit Corp., a wholly owned subsidiary.

In addition to these, a government owned munition plant is operated on a fee basis at Scranton, Pa., and munitions plant is operated for the Navy at Poughkeepsie, N. Y. A major part of sales in 1955 was in shells for the government.

From the foregoing you'll perceive that HMY is a tough one to write about. It's practically a financial department store. All these assorted additions to the corporate roster represent, however, not a casual kaleidoscopic collection, but the result of a definite plan, a plan best summarized in the words of the President, Hyman Marcus: "The ultimate objective is to provide our stockholders with an investment which should not be subject to the fluctuations of any one industry, but which has the prospect of capital appreciation through corporate growth." Eventually, Mr. Marcus seeks a diversification so complete that not more than 5% of total income will be received from any one subsidiary or affiliate.

Mr. Marcus, who had a brilliant academic record at Columbia University (he graduated at 18 with a Phi Beta Kappa Key), has followed through with a brilliant business career. At Hoffman, he has surrounded himself with an able management in depth, which has contributed most importantly to the rising trend in earnings.

Year to year comparisons here are difficult due to the multiple company additions. For example, net sales for 1955 totaled $50,320,000 and delivered a net per share of $1.26 on the common then outstanding. For 1956, however, the first six months alone produced a net sales total of $47 million and per share of $1.31 on the common.

The earnings of HMY over the years have been erratic, and from 1947 to January of 1955 no dividends were paid on the common. The past two years, however, have told a different story. The common was split 3-for-1 in 1955 and 2-for-1 in 1956. Present dividend rate is $1.20 with a 1% stock dividend paid Oct. 5, 1956. 2,190,150 common shares are outstanding, preceded by 41,130 shares of $2.50 preferred (convertible into two shares of common) and $2,306,061 in long-term debt.

Hoffman, by almost any standard of comparison, is a unique enterprise. The casual investor, coming upon it for the first time, might well be a bit baffled at the rangy assortment of products: tin cans, furniture, pants pressers, movie screens, candy bars, explosives, projectiles, missiles and wind tunnels. But the point to note is that HMY seems to be doing a pretty good job in all these lines. For the immediate future, there lie ahead a prospect of further rise in earnings, a proposed spin-off of Hoffman International Corp. stock (the company handling European operations); and no doubt another merger or two by Autumn.

Whereas, HMY common would not qualify as a seasoned dividend payer, or an institutional type equity, it does represent a corporate spectrum with plenty of color. The common at 15, yielding 8% of the indicated dividend rate, selling around six times earnings, may well attract new stockholders. (It has over 1,400 now.) Details of Hoffman, provided above, may indicate that this expanded laundry equity is just the ticket for venture-minded share buyers, who are unperturbed by market volatility.

R. B. Fahnestock V.-P. Of Hugh Long & Co.

ELIZABETH, N. J.—R. Bertron Fahnestock has been elected a Resident Vice-President of Hugh W. Long and Company, Inc., Elizabeth, N.J. He will be associated with Forest G. Thorne, Resident Vice-President of the Long Company for the past four and one-half years, in serving investment dealers in New York City, Long Island and Northern New Jersey. Hugh W. Long and Company, Inc., is national underwriter for four mutual funds—Fundamental Investors, Inc.; Diversified Investment Fund, Inc.; Manhattan Bond Fund, Inc. and Diversified Growth Stock Fund, Inc.

R. B. Fahnestock

Mr. Fahnestock joined the underwriting organization in April, 1956. For the previous six years he was with Investors Management Company, Inc.—investment advisor to the above-mentioned mutual funds. Since entering the securities business in 1936, he has largely specialized in investment research and management. From 1940 to 1949, except for the war years, he was with Shields and Company. In 1948 and 1949 he assisted in the establishment and management of that organization's mutual funds department.

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Advertising a Corporation

By RUSSELL M. SANDERSON*
Smith, Barney & Co., New York City

Contrasting the successful, widely accepted product advertising with inadequate and poorly done corporate advertising, Mr. Sanderson recommends that companies "tell the world" about themselves since people generally buy the stock of a firm they know about in preference to one equally as good but whose corporate life is not favorably known. Author suggests set of rules for readable advertising, and emphasizes the cornerstone importance of easy-to-read annual reports.

There should be no need for anyone to have to develop a rationale for advertising. Advertising has become so much an accepted part of our business life that it seems unrealistic to have to defend it. But this seems only true when applied to product advertising. Corporate advertising, the advertising of a company for itself, is not done very much and is often not done very well. This seems extremely surprising because corporations are for sale, or at least parts of them called shares or stock are for sale. Like anything else bought and sold, acceptance or the lack of it by prospective buyers determines the price. Certainly it is a truism that anything you have for sale ought generally to be sold at the highest possible price. Advertising, everyone says, contributes to the successful sale of products and services. If we believe that, then let us think about it for corporations.

Russell M. Sanderson

There has not been a great deal of research done on the direct value of advertising to the prices of stocks or bonds. "Business Week" a few years back did do a survey on investors. They found that investors were influenced in their buying by their knowledge of the company.

88% said this was the major factor.

50% of the investors questioned said they depended heavily on the advice of financial people, people in the securities business.

62% of the responses in the financial community said they were favorably influenced by corporate advertising.

Thus, you can see the favorable reactions of cause and effect.

People buy the stocks of companies they know about. Financial advisors advise people to buy the kinds of stocks they know about. People who are influential in creating opinions or persuading others are overwhelmingly favorably influenced by corporate advertising.

Well Known Securities Sell Best

Everyone in our business has frequently heard investors say, "I don't want that security. I never heard of the company." It is often repeated by salesmen. They all agree that it is easier to sell securities that have a good name. Of course, well-known securities sell best. You find this same influence on managers of institutional portfolios. Consciously or unconsciously they are always concerned with the "look" of their portfolios. They know that their investments are under scrutiny by critical people. They know that the securities of companies that are well known are those which will invite the least criticism.

I can recall several years ago our having a customer purchase a high-priced bank stock during a special offering and being fairly serious when he said, "I think that name will look good in my estate." It was the "name" that clinched the sale. We must not overlook a basic human factor called pride of ownership. A good many people get satisfaction in telling others about their investments. When they do that they like to parade recognizable names and glow in the reflected glory. Recognizable security names sometimes result from product advertising. Helpful as it can be, however, it is corporate advertising that focuses on the company itself and affects the acceptance of its securities.

I should point out here that when I say "advertising" I'm thinking of the dictionary definition, "to give notice to; to inform or apprise; to notify or make known, etc." What means and what media you use to accomplish this notifying, this informing, is something which can best be determined in terms of your budget, your personal idiosyncrasies, the kinds of people you want to appeal to.

Earlier this year Keith Funston spoke to the Sales Executives Club. I think a portion of his talk is particularly applicable here.

"It is an old axiom, but true, that before your sales force can move goods out, your companies need capital to produce those goods. . . . For this you need more plants and tools, more trained personnel and more ingenuity. The best and soundest way all this can be provided is through the harnessing of additional creative capital. And we have reached a point in our development where people will, in their own self-interest, have to venture many of the billions that will be required. . . .

"The day may come when little-known corporations must move to raise growth money by selling stock. Then there will be a hard truth that will have to be reckoned with: it is that good will—the ability to identify the corporate entity—though rarely capitalized for more than a token sum, is among a business' most valuable assets. Investors recognize this. It explains, in our own market place, why shares of lesser-known companies so often sell for less—in terms of price as a multiple of earnings—than the stocks of more aggressive advertisers and sellers."

Advertising Target

To whom do you advertise? The New York Stock Exchange recently made a census of stockholders and came up with the figure of about—nine million. These are the people who own securities and may be expected to be interested in any information they can get about companies that issue shares. Of course there are a great many more who don't own stocks but probably enough money so that they could. Within the financial industry we have the investment counsellors, security brokers and dealers and their sales organizations. You have the commercial banks with their trust departments and the trust companies. All of these provide the audience to be told about a corporation's life. I think it safe to say that all of these people read and listen, that the amount of reading and listening they do will of course depend on how interesting it is. I think it makes small difference whether it is in the news columns or in the advertising columns as long as it is interesting.

Here I should insert a word of caution. I do not mean to say that advertising is a kind of stock price magic. It does not mean that advertising will successfully "sell" the securities of a company if these securities aren't good. Just like any product, the best advertising in the world will not long sustain its market if it isn't a good one. A good company like a good product is needed to make corporate advertising truly effective. I'm sure that if everything else is equal, a company whose corporate life is well and favorably known will command a better market price for its shares than a company that does not have these benefits. Quoting again from Keith Funston, he said:

"There are voices in management that still argue 'I am making and selling a product. I am not selling shares of stock.' But increasingly, they are being answered by men of management who realize it is no longer possible to separate the world of sales, with its emphasis on product, from the world of finance, with its emphasis on shareowners and the need for creative capital."

It is particularly true with new issues of securities that advertising, or shall we call it knowledge of the issuing company, has its greatest usefulness. New issues are priced just like other merchandise. Their intrinsic value plus that intangible which you might call glamour, reputation, charm, attractiveness, or what-have-you establishes the value, the price. If these characteristics have been created by a successful program of advertising, it is quite reasonable to expect, as Mr. Funston has said, that this will all be properly reflected in the price of the stock on the exchanges.

Advertising Content

Now what will you tell these people who buy securities or tell other people what to buy? I think it is important to remember that whether investors are individuals or institutions, trust officers or large pension fund buyers, they are all people. They need no special set of rules that are not applicable to other people.

Tell them what your company is doing.

Tell them how well you are doing it.

Tell them what you are going to to do.

Tell them what's good about it.

That seems like a very simple formula and it is. But it is not only what you say but how you say it. Too much is said too often that no one understands. That's why we have so much emphasis on human relations and communications these days. Someone has said that our modern civilization may disappear simply because so many of us can't understand what the others are trying to tell us. I think this is particularly applicable to the kinds of information that corporations often put out. Lots of it is hard to understand.

Of all the devices which a company can use to tell its story the annual report is probably the cornerstone. It comes at a natural time created by the habit of thinking in terms of a year's progress, or growth or development. It is typically sent out to all stockholders, to most members of the financial community. Some companies have found it extremely useful to advertise it for general circulation. It is a device which is completely under your control and which can be made to say and carry precisely the message that will do you and the investor the most good. Now there are some simple things that should be kept in mind.

Emphasizes Readability of Annual Report

The annual report should be news. It should be interesting and easy to read. It should be timely, factual, stick to the subject and be complete. You will certainly say here, "All this is obvious." It may well be to us when we think of it now, but there is some strange pixie that gets into the minds of those who prepare annual reports. All those things that they know about communicating and successful product advertising seem to get thrown out the window. Somehow everything that is obvious, everything that is practiced elsewhere often gets overlooked when annual report time comes around.

Recently the Psychological Corporation did an extremely detailed analysis of the annual reports of 56 of the largest corporations. Using accepted scales of readability they found that nine, only nine, could be easily read by high school graduates. Six of the reports required an educational level involving collegiate postgraduate study. Forty-one required some college education.

Now bear in mind that these reports were those of some of our largest corporations. These were the leaders trying to tell their story. Now the plain and simple fact is that material at that level of readability is just too hard for most of us to read *with pleasure*. It is too hard for investors. It's too hard for the financial community. It isn't because we can't read it, but because we won't read it. Emerson is quoted as having said that man is as lazy as he dares to be. Folks with money are the same way. It may well have been that Hercules could have easily climbed the highest hill, but he would have rather walked downhill. And so it is with security analysts and investors. They have so much to read they'll not walk uphill if they can go down. They will read those things that are easy to read and practice judicious neglect on all the rest. They will quickly glide over reports that aren't complete, that don't give them new information, that are filled with complex charts which take too much time and effort to understand.

The same is true of the "beautiful" report. Many reports become more like works of art than factual, newsy presentations of life at Amalgamated Widget. Remember that unless you say something that is easy and important to read, most people are too busy to be satisfied with aesthetics when it's facts they want.

I think the most important thing that you can do is to rescue the annual and other corporate reports from the words of the controller and the accountant, the treasurer and the lawyer. Let them use their words in talking to each other, but let's use all the skills we have acquired in product advertising to make our companies understood. No one ever saw a good ad written in legal or accounting jargon. You will never see a good annual report written in the trade words of the controller or the treasurer or the accountant.

Keep out the historical guff. A glorification of the past, a form of corporate ancestor worship, may be gratifying to some but it doesn't mean a thing to today's investor. You buy securities for what they will do for you today, are going to do tomorrow. It really won't do you a bit of good as an investor if the record were glorious in the 1890's.

And I should like to make another suggestion. This is not an easy one for you to accomplish. Keep out of your reports the personal economic or political philosophies and views of the president or chairman of the board. It well may be that he's on the right track in praying for the second coming of McKinley, or high tariff, or low tariff, or the gold standard, or the flexible dollar, and so on. But those are not the kinds of things which improve and add to the intrinsics when you want people to happily own your securities. Cruel as it may be, let those who wish to use the annual report as a propaganda device hire a hall.

In this same vein I say control your art department. Make your report attractive but avoid art for art's sake. This is particularly true of charts. Charts have a wonder-

*A summary by Mr. Sanderson of an address he delivered before the National Industrial Advertisers Association, New York Chapter.

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ful place in the annual report but it is to show something to you, to make a big story easy to grasp, not to beguile you with prettiness. A cursory look at a lot of annual reports will show you that the sense of the chart has been completely confused in an attempt to make it arty. It is true that the old Chinese proverb coined by a Chicago advertising man "A picture is worth a thousand words" has general acceptance, but it is like that other old saying that a word to the wise is sufficient. A word or a thousand words or a picture are not sufficient (even for the wise) if they don't make sense.

Summary

To sum up. Tell the world about your company. Tell it often and tell it in newsy, easy-to-read style. Keep out the frills. Apply to your corporate advertising the same clarity, simplicity, ease of reading and understanding that you use in a successful product advertising campaign.

COMING EVENTS

In Investment Field

Jan. 18, 1957 (Baltimore, Md.)
Baltimore Security Traders Association 22nd Annual Mid-Winter Dinner at the Southern Hotel.

Jan. 21, 1957 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia annual "Boss Night" dinner at Barclay Hotel.

Jan. 24-25, 1957 (Chicago, Ill.)
Association of Stock Exchange Firms Board of Governors meeting at Edgewater Beach Hotel.

Jan. 28, 1957 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter party at the Sheraton Hotel.

March 1, 1957 (New York City)
New York Security Dealers Association 31st anniversary dinner at the Biltmore Hotel.

March 8, 1957 (Toronto, Canada)
Toronto Bond Traders' Association 25th anniversary dinner at the King Edward Hotel.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

May 6-7, 1957 (Richmond, Va.)
Association of Stock Exchange Firms Board of Governors meeting at Jefferson Hotel.

May 8-11, 1957 (White Sulphur Springs, Va.)
Investment Bankers Association Spring meeting at the Greenbrier Hotel.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

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 in the period ended on Wednesday of last week showed a moderate increase over that of the preceding period and was close to the similar 1956 level.

Increased output of coal, electric power and food products offset production decreases in the automotive and paperboard industries last week. There was a 4% increase in electric power output, and it was 6% higher than that of last year. Year-to-year gains ranged from 10% in the Pacific Southwest and South Central regions to 3% in the Middle Atlantic States.

A joint report of the United States Departments of Labor and Commerce states, the number of jobholders in the nation declined 718,000 from mid-November to mid-December while unemployment stayed about the same.

At the same time, weekly pay rates for factory workers hit another record high, the agencies noted.

The joint report credit the decline in total employment to 64,550,000 to seasonal cutbacks in agriculture and construction but said this still was a record for any December.

Unemployment went up only 16,000 to a total of 2,479,000 despite the greater cut in employment. It added that the reason for the slight rise in unemployment was that many housewives and students looking for holiday employment in mid-November had either found jobs or left the market by mid-December.

The so-called mystery of "what's happening in Detroit" is caused by a combination of disappointing sales of medium-priced cars aggravated by strict inventory control measures, states "The Iron Age," this week.

The result is a slight easing in the market for cold-rolled sheet and strip, the national metalworking weekly points out. Even so, this easing can not be characterized as a soft market. It's generally conceded that steel order books are filled for the first quarter. The lagging demand for automotive sheets and strip has caused some confusion in rolling mill schedules and order books, but open tonnage caused by deferments has been readily snapped up by other consumers, this trade magazine reports.

The close-to-the-chest steel buying practices in Detroit are founded on both necessity and tighter business methods. Automotive steel inventories were in good shape when the industry went into production of 1957 models. Then, production hardly got off the ground in the last quarter of 1956. The New Year brought, instead of expected carry-overs, unexpected long inventories, it adds.

Automakers are now insisting on shipments of specified items within weeks and are putting pressure on producers for regular deliveries. One leading auto producer has set up a 20-day inventory program. This razor-sharp purchasing indicates that automakers are sure of their ground in view of the continued steel labor peace and determination of the steel industry to continue its program of expansion.

The odds are with the automakers, "The Iron Age" states, believing they can get along on a minimum of inventory geared closely to output. There is an element of risk in the possibility of a sudden upsurge of sales in the Spring. If this happens, it will play havoc with mill order books and schedules, this trade paper continues.

Another influence on the steel market is tight money. Many steel users, particularly small companies, are reluctant to tie up a lot of money in steel inventory. Money is too hard to come by, so they prefer to order in small quantities, more often.

This strategy is possible only in the case of some steel products. Other products are even tighter than money. These include plates, structural shapes and pipe, particularly linepipe and other oil country goods.

The always-volatile scrap market continues down. At least some of the downtrend is now attributed to speculation of a less-than-capacity steel operating rate in the second quarter. But inventories are not heavy and some of the decline is attributed to adjustment from recent inflated levels, concludes "The Iron Age."

Despite less overtime emphasis in the automotive industry the past week, domestic passenger car assembly is running on schedule for an 8% January gain in monthly volume over December, stated "Ward's Automotive Reports."

It said 146,527 passenger cars were scheduled for completion last week as against the preceding week's holiday shortened volume of 91,130. The same week in 1956 netted 150,030 assemblies.

Last week's United States car building averaged to the month's goal of 29,300 units daily, keeping "on target" for the scheduled 6.7% decline in daily rate below December's 31,500, "Ward's" reported. However, because of the additional working days available this month, total January output of 647,000 units is being programmed 8.4% over December with 597,083.

Undoubtedly, the statistical agency added, the easing in overtime output a week ago reflects an expected softening in the industry's post-introduction buildup pace, plus an adjustment to sales trends.

"Ward's" noted that Chrysler Corp. is up to 18.6% and Ford Motor Co. to 31.2% of the industry production the past week, with General Motors Corp. edging to 47.8% from 52.8% in entire 1956. Overtime Saturday assembly plans centered around Ford, Mercury and Chrysler, with Plymouth tentative.

On the truck front, Ford output gained strength following

Continued on page 12

NEW ISSUE

January 15, 1957

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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:

Aluminum vs. Inflation—Reynolds Metals Company, Economic Research Department, 19 East 47th Street, New York 17, N. Y.

Atomic Letter (No. 23)—Comments on additional Canadian uranium contracts, atomic merchant ship program, progress in atomic chemistry with items on Westinghouse, El Paso Natural Gas, American Machine and Foundry, Foote Mineral Company and Newport News Shipbuilding and Drydock Co. —Atomic Development Mutual Fund, Inc., Dept. C. 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bond Market—Discussion—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available are 1956 year end prices of **Foreign External & Internal Securities.**

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Business Without Boundary: The Story of General Mills — James Gray—University of Minnesota Press, Minneapolis 14, Minn. $4.75.

Chessie and Her Family—Portfolio of pictures—Chesapeake and Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is an appraisal as of Dec. 31, 1956 of City of Philadelphia and Philadelphia School District Bonds.

Graphic Stocks—1957 issue containing over 1,001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock on New York and American Stock Exchanges covering 12 full years—single copy $10; yearly (6 revised issues) $50.—F. W. Stephens, 87 Nassau Street, New York 38, N. Y.

High Temperature Metals—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Japanese Shipbuilding—Analysis in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of Japanese **Electric Enterprises** and a discussion of the new rules for foreign investment in securities under exchange control.

Japanese Stocks — Current information — Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Life Insurance Stocks—Analysis—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y. Also available is a circular on **Monarch Life Insurance Company.**

Market Outlook for 1957—Bulletin—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

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

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

Preferred Stocks—Principal issues offered during 1956—Eastman Dillon, Union Securities & Co., 65 Broadway, New York 6, N. Y.

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

Securities Outlook—Survey of investment possibilities for 1957 Copy — G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Southeast Plant Locations—Details—Atlantic Coast Line Railroad, R. P. Jobb, Assistant Vice-President, Wilmington, N. C.

Storm Shelter Stocks—Six issues likely to resist impact of economic and market contingencies — in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of U. S. Government bonds for Estate Planning.

Ten Largest Banks in New York City—Figures as of Dec. 31, 1956—Bankers Trust Company, Bond Department, 16 Wall Street, New York 15, N. Y.

* * *

Aircraft Radio Corporation — Report — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

American Gas and Electric System — 1956 Annual Report — American Gas & Electric Company, Mr. W. J. Rose, V.-P., Dept. B., 30 Church Street, New York 8, N. Y.

American Hospital Supply Corp.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

American Telephone and Telegraph Company—Analysis—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Anschutz Drilling—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Armco Steel Corp.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Atlas Corporation—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Beech Aircraft—Circular—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a circular on **ACF Industries.**

Bliss—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Bristol-Myers Company — Analysis — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Champlin Oil & Refining Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

General Tire & Rubber Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Gimbel Brothers—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Home Oil—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Robertshaw Fulton Controls** and **Ruberoid.**

International Nickel Company of Canada—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y. Also available is an analysis of **Louisville & Nashville Railroad.**

Knox Corporation—Analysis—Unlisted Trading Dept., Rm. 707, Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Nation Wide Corporation—Analysis—Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

New York Capital Fund of Canada Ltd.—Annual report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Phaostron Instrument and Electronic Company — Analysis — First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Ranco Incorporated—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Stock Market Profile — First annual tabulation — New York Stock Exchange, New York 5, N. Y.

Union Bag-Camp Paper—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

United Engineering & Foundry Co.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Zapata Petroleum Corporation — Analysis — G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Business Man's Bookshelf

Advertising at the Point of Purchase — Association of National Advertisers, Inc.—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.

American Employers and the International Labor Organization —Commerce and Industry Association of New York Inc., 99 Church Street, New York 7, N. Y. (paper).

Business Without Boundary—The Story of General Mills — James Gray—University of Minnesota Press, Minneapolis 14, Minn. $4.75.

Changing Patterning of International Investment in Selected Sterling Countries—A. R. Conan —International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper). On request.

Combustion Testing and Air Measurement Instruments — Bulletin (No. 138) — General Scientific Equipment Co., 7516 Limekiln Pike, Philadelphia 50, Pa.

Consumer Credit and the American Family, A Perspective Analysis —Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich. (paper).

Farrar, Straus & Cudahy Inc.— Winter-Spring 1957 catalogue— Farrar, Straus & Cudahy, Inc. 101 Fifth Avenue, New York 3, N. Y. (paper).

Foreign Exchange Regulations in Great Britain—Supplement 13— Bank for International Settlements, Basle, Switzerland (paper).

France Means Business—Story of development in the industrial life of Modern France—France Actuelle, 221 Southern Building, Washington, D. C. (paper). 25 cents.

Group Life Insurance: Analysis of Concepts, Contracts, Costs, and Company Practices — Davis W. Gregg—Richard D. Irwin, Inc. Homewood, Ill. ((cloth). $5.

Lasser's 1957 "Your Income Tax" —Simon & Schuster, 630 Fifth Avenue, New York 20, N. Y. $1.95.

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Effect of New British Premier Upon Sterling and Stock Exchange

By PAUL EINZIG

Fixity of present sterling parities is seen assured with Mr. Macmillan's elevation to Premiership, by internationally known economist, which might not have been the case had Mr. Butler been elected in view of past flirtation with a floating pound while Chancellor of the Exchequer. Choice of Mr. Macmillan is also expected to assure a strong Stock Exchange at a time when Treasury is anxious to prepare the ground for some large conversion operations. Dr. Einzig believes the chances for early reduction in Bank rate will go hand in hand with greater confidence the Government inspires.

LONDON, Eng.—The change of government in Britain took the British public almost completely by surprise. For, although some newspapers were forecasting an early resignation of Sir Anthony Eden, those newspapers have been making similar forecasts off and on for over twelve months. The fact that during the last few days of the Eden regime sterling was distinctly firm and so was the London Stock Exchange—especially Government loans—shows that no acute crisis was anticipated. Even though Sir Anthony Eden was sharply criticized for his Suez policy in many Conservative quarters, his position was considered secure in well-informed political circles, on the ground that, in face of the Socialist frontal attack, the Conservative Party could not afford to be disunited.

Paul Einzig

Any split in the Conservative ranks would have justified the Socialist demand for an early general election which, in given circumstances, would have meant the advent of a Socialist Government. Had Sir Anthony Eden wished to remain in office, he would certainly not have been overthrown by his Party, not only because it has a well-established tradition of loyalty to its Leader, but also because disloyalty would have meant political suicide for the Party.

These considerations were widely realized, hence the firmness of sterling and of the Stock Exchange. Any anticipation of developments that might have involved the risk of an early general election would have caused a flight from the pound and a slump in the Stock Exchange. Indeed, the immediate effect of the announcement of Sir Anthony Eden's resignation was a distinctly weaker trend in the markets. This was because it was assumed that he would be succeeded by Mr. Butler, and it was widely known that a strong section of the Conservative Party would be unwilling to support him.

Has Greater United Support

The main reason why Sir Anthony Eden decided to resign is that, realizing his unpopularity in the country, he did not wish to become a liability to the Conservative party on the eve of some important by-elections. He felt that his party and the government stood a better chance of living down the Suez affair if it were led by someone else. And the main reason why the Queen decided to invite Mr. Macmillan to form a government instead of inviting Mr. Butler is the view that the former would stand a better chance than the latter to secure the united support of the party.

What matters from the point of view of sterling and of the Stock Exchange is that there should be a stable Conservative Government with a sufficiently secure majority to justify the Prime Minister in rejecting the Socialist demand for an early general election. Such a demand has no foundation in British constitutional practice, so long as the government is not defeated in the House of Commons. But an influential section of the Conservative party felt so strongly against Mr. Butler's Premiership that they might have been prepared to risk even a general election. The uncertainty arising from such a situation would have resulted in a revival of the speculative drain on sterling, and the Stock Exchange would have been weak just at a time when the Treasury is anxious to prepare the ground for some large conversion operations.

It is true, a number of Conservatives disapprove of Mr. Macmillan. But they do not feel so strongly about it as do Conservative critics of Mr. Butler. So the Queen followed the well-established tradition in choosing the man who is the most likely to be able to command the support of a working majority. The response of the markets to the Queen's decision shows that this view is widely held in financial circles, not only in London but also abroad. Under Mr. Macmillan's leadership the stability of the Conservative Government inspires confidence. Which is what really matters from the point of view of the prospects of sterling and of the Stock Exchange. Had Sir Anthony Eden prolonged his term of office there would have remained a feeling of uncertainty that his unpopularity might at any time create a situation in which the continued existence of the Conservative Government would become doubtful. As it is, there can be no justification for such fears.

Assures Fixed Sterling Parities

Regarded from the point of view of the government's economic policy, there is reason for viewing Mr. Macmillan's Premiership with confidence. He unhesitatingly committed himself in favor of maintaining the present parities of sterling. While Mr. Butler was for some time flirting with the idea of introducing the floating pound, Mr. Macmillan rejected the idea out of hand as soon as he succeeded Mr. Butler as Chancellor of the Exchequer. Had Mr. Butler become Prime Minister, Mr Macmillan would have left the Treasury, and the new Chancellor of the Exchequer might have revived the idea. Indeed, a few days before the change of government, Lord Chandos, who was very much the "power behind the throne" during the Eden administration, came out in an article strongly in favor of the floating pound. Possibly Mr. Butler might have listened to his advice. It is safe to assume, however, that Mr. Macmillan as Prime Minister will be no more in favor of the floating pound than he was when Chancellor of the Exchequer. For this reason alone the firmness of sterling after the announcement of the Queen's decision was justified.

Bank Rate Outlook

Mr. Macmillan's transfer from the Treasury to 10 Downing Street secures a continuity of the government's economic policies. He is first and foremost an economic expert, and is certain to continue to take an active interest in economic policies after his departure from the Treasury. The new government's primary aim will be the reinforcement of sterling—not with the aid of additional dollar facilities but by means of resisting inflation at home.

In so far as it is possible to relax the credit squeeze without coming into conflict with this objective, the new Chancellor of the Exchequer will undoubtedly do so. But the position of sterling is not expected to be jeopardized for the sake of yielding to pressure in favor of lower interest rates. The bank rate will be reduced in due course, but not until the government is satisfied that in doing so it does not run the risk of a relapse of sterling. The more confidence the Macmillan administration inspires at home and abroad, the better will be the chances of an early reduction of the bank rate.

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JERSEY CITY, N. J.—Hugo J. Weinberger has formed H. J. Weinberger Co. with offices at 15 Exchange Place, to deal in investment securities. Mr. Weinberger was formerly an officer of Julius Maier Co., Inc. Prior thereto he was with Stein & Co. and Herzog & Co. in New York.

Arthur Hageman With Kormendi & Co., Inc.

Kormendi & Co., Inc., 70 Pine Street, New York City, dealers in investment securities, announced that Arthur G. Hageman has become associated with the firm as manager of the Municipal Bond Department.

Joins Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred H. Hoffman is now connected with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Clifton S. Jamieson is now connected with Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Joins Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Russell E. Gieselmann has become affiliated with Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange.

This announcement, which appears as a matter of record only, is not an offer to sell or the solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

Not a New Issue January 15, 1957

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The Robertson Study on Existing Banking and Credit Laws

By HON. A. WILLIS ROBERTSON*
U. S. Senator from Virginia

Remindful of last May's price inflation prediction that did materialize, Senate Banking Committee Chairman, who, in that capacity, is now reviewing our banking and credit laws, terms credit the key to our money supply and, thus, our economic health. Senator Robertson perceives retail price rise, rising interest rates and heavy demand for credit; in short, a "continuing trend toward inflation." Decries small annual price inflation rate; demands moderating monetary policy to keep boom within stable economic growth, and praises Federal Reserve efforts. Issues progress report on Committee study which includes proposals for: bank stock option plans; permissive cumulative voting; industrial, commercial, and liberalized construction loans; merger regulation and "streamlined" bank reports in specific instances; and new legislation pertaining to savings and loan association branches and mergers.

I am acting as Chairman of the full Banking and Currency Committee in its efforts to review our banking and credit laws and to recommend changes which will adapt them more closely to present-day needs.

A. W. Robertson

Changing laws is the responsibility of the Congress, and the Banking and Currency Committees of the House and Senate have the function of recommending the form which new legislation in this field should take.

We cannot do this properly, however, except with the advice and assistance of those who will be controlled or affected by the laws. That is why my first move, when we undertook this study, was to assemble an Advisory Committee including some of the top men in the field of banking, drawn from all parts of the nation.

We have had the benefit of their advice in preparing a tentative bill, on which public hearings will be held beginning later this month. We shall continue to need not only the advice of those who will testify at these hearings but also the backing of financial leaders in each community who can help the voters, to whom we are ultimately responsible, to understand the need for the changes we shall propose.

In building this background of understanding, it is especially important that we have the cooperation of those who are concerned with the credit aspects of our economy. This is true because credit has become the key to our money supply; and the money supply, in terms of total medium of exchange, rather than merely technical currency, is the controlling factor in determining whether we shall continue on a sound and stable financial basis or suffer the consequences of radical inflation and ruinous depression.

Therefore, before I discuss the "Robertson Study" of the banking laws, I want to examine briefly the problems of credit and inflation which I feel are fundamental and which require constant consideration.

Last May, in addressing the annual convention of the Colorado Bankers Association, I called attention to our rapid industrial expansion and some of the consequences growing from it and called upon the bankers of the Mountain States to cooperate with Federal agencies to prevent further price inflation.

Some of the inflation I predicted last May has occurred, and my most recent studies of the problem would lead me to give to bankers today the same advice I gave seven months ago.

By way of background, we should note that, contrary to the experience after every other major war, when prices soon fell from their wartime peaks, prices have continued to rise since the end of World War II. The latest figures from the Department of Labor showed the Consumer Price Index for November 1956 at 117.8% of the 1947-49 average.

Retail Price Outlook

Most of the increase occurred, it is true, before 1952, and fluctuations since then have been within a narrow range. This has resulted because a continuing rise of prices of rents and services generally has been offset by declining farm prices, reflected to a lesser extent in cheaper retail food prices. During 1956, however, the trend of retail food prices reversed itself and moved upward. That trend may be accentuated in the future by the tendency of farmers to cut down the crops when prices get too low. The future outlook for retail prices also is indicated by the continuing strengthening of the wholesale price index.

Looking beyond retail and wholesale prices, I need hardly remind you of the tight money situation created by continuing strong demands from consumers, business, and government.

Our gross national product was pushed up to a record annual rate of $424 billion in the fourth quarter of 1956. This was an increase of $22 billion or 5% over the previous year. Personal income after taxes also reached record highs as did consumer spending, which went to a new high rate of $272 billion. These figures can be better understood if they are compared with those in the depression of the Thirties, when our gross national product fell to an annual rate of $56 billion and some economists estimated the total wealth of our nation at only $323 billion. Today we have a national debt of $275 billion, and the interest charges on that debt are larger than the total revenues of the government were when I entered Congress in 1933.

Predicts Continuing Inflation Trend

The outlook today is for further strong expansion in private demands for goods and services, intensive utilization of manpower, materials, and plant, growth in physical volume of plant output, and, as a consequence of these factors, persistent upward pressure on prices, heavy demands for credit, and rising interest rates.

All of this clearly spells a continuing trend toward inflation; and inflation, as the Chairman of the Board of the United States Steel Corporation pointed out recently, is no respecter of persons. It strikes with equally devastating effects the small business and the large business.

The *Monthly Letter* of the First National City Bank of New York brought out this point strikingly in a recent issue by recalling that in Germany before the First World War 40 billion marks of mortgage loans were outstanding, calculated to represent about one-sixth of the German national wealth; but by 1923 the mark had depreciated to the point where it took 42 billion of them to equal one U. S. cent. The loans, of course, were worthless by then; and inflation had given the wealth of the creditors to the debtors, destroyed the provident middle classes, wiped out the pool of loanable funds, and erased every sensible reason for saving.

Castigates Slow Inflation

The German experience with explosive inflation during and after World War I was not unique. It was repeated in a number of countries in World War II. Other countries, like the United States, have had only a slow-burning or creeping inflation. But, while a 2 or 3% a year constant rise in price levels may seem quite harmless to many persons, it is not harmless to the savers; and the fact that the damage is being more widely recognized is illustrated by the recent editorial in "Harper's Magazine," which in effect apologized to readers for running advertising urging them to buy United States Savings Bonds because those who had bought these securities in 1941, for instance, now found that in terms of buying power the accumulated interest of 15 years had been destroyed.

The effects of even a little inflation do not seem harmless either when it is realized that a rise of 1% in the consumer price index costs the public $2½ billion a year.

With the situation now confronting us, it seems clear to me that we need a monetary policy that will exert a moderating influence on the demand for funds and which will keep this boom, which cannot last forever, within the limits required for a stable economic growth.

Praises Federal Reserve

In this connection, I say quite frankly to you, who are concerned with the providing of credit, that I feel the Federal Reserve System has exerted a sound influence by its movements to limit the money supply.

Actually, the Federal Reserve has not attempted to bring about a shrinkage of the money supply, which it could have done by selling government securities from its portfolio or by raising the reserve requirements for member banks. It has merely refrained from supplying additional funds to the banking system which could have served as the basis for further credit expansion and has allowed the money market to tighten itself under the impact of climbing credit demands pressing against the limited supply of savings.

Borrowers obtained $6.2 billion on commercial loans during the first 10 months of last year. Corporations borrowed $7.6 billion in new capital issues. State and municipal governments obtained $4.8 billion. Residential real estate credit increased by $8.5 billion during the first three quarters of 1956. Consumer credit also increased substantially.

Some borrowers may not be able to obtain all the money they want; but the credit stream is far from dry, as was indicated by the survey made by the American Bankers Association showing that the largest banks in the country had substantially increased their loans to small business last year.

It is unpleasant to pay higher interest rates but they are less expensive than the alternative of more price inflation. This fact must be made clear to the customers of the commercial banks which, with their $200 billion of assets, have a central role to play in credit restraint. Bankers must explain to customers the stake all of us have in the operation of an effective monetary policy which is essential to a free enterprise economy.

Now, briefly, as to the progress of our study of the banking and credit laws:

Study Progress Report

Recently, I gave to the press a comprehensive statement concerning the draft bill which will serve as a basis for our public hearings. That bill is the product of work done since the adjournment of the last Congress by the Federal supervisory agencies, trade organizations in the financial field, the Banking and Currency Committee staff, and our 27-man Advisory Committee.

The Advisory Committee, which includes five former presidents of the American Bankers Association, considered several hundred proposals to change the existing laws; and its report was extremely valuable because it represented an objective consideration of present-day banking problems by a group of highly qualified experts. On the basis of their report we have drafted a bill more than 250 pages in length.

You will recall that when I undertook this study, I stated that our primary objectives would be: (1) To remove obsolete provisions from the statutes so that the laws would be more workable and more easily understood; and (2) to add new statutory authority where needed to meet the modern-day needs of our economy. I said also that we would not attempt to make changes involving broad theories of credit control and banking supervision which should have the consideration of a full-time Commission, such as the Advisory Committee has now recommended.

I believe that our bill is in line with that announced program although it probably contains some more controversial items than we had antiicpated when we first thought of modernizing and codifying the banking laws.

Outdated Statutes

To illustrate the nature of the bill, here are some samples of the outdated statutes we proposed to repeal:

(1) The provision for double liability on national bank shareholders which was abolished in 1937.

(2) The more than 50 sections of law dealing with the circulation of national bank notes, which have not circulated since 1935.

(3) The more than 40 sections of law dealing with National Agricultural Credit Corporations which died out after the Congress in 1932 forbade organization of any more of them.

(4) Provisions authorizing the

*An address prepared by Senator Robertson but delivered in his absence due to illness by Donald L. Rogers, Counsel to the Senate Banking and Currency Committee, before the Ninth National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 16, 1957.

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

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Common Stock

($10 par value)

Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Corporation to holders of its Common Stock, which Rights expire January 24, 1957, as more fully set forth in the Prospectus.

Subscription Price $56 per Share

During and after the subscription period the several Underwriters may offer shares of Common Stock, all as more fully set forth in the Prospectus.

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

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January 11, 1957

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formation of associations to issue gold notes.

(5) The provisions authorizing the original organization committee for the Federal Reserve System which was set up in 1913.

On the positive side, the proposed amendments in our bill are designed primarily either to improve operations of banks or to provide more effective supervision by the Federal agencies.

Obtaining Better Bank Capital

I am sure you will agree that two of the principal problems facing banking are attracting capable men to the profession and obtaining adequate capital for growing banks. I believe that our proposal to permit banks to have stock option plans will place banks in a better competitive position with all industry in attracting personnel. To assist banks in raising needed capital, we have proposed that national banks be authorized to issue preferred stock and capital debentures. The present law authorizes issuance of preferred stock, but this has been construed as an emergency measure only and has not been used since the days of the RFC. We believe banks should be permitted to strengthen their capital structure in the same manner as other corporations, under adequate supervision.

Recognizing the disruptive effect on bank management which has sometimes resulted from the compulsory provision for cumulative voting for national bank directors, we have proposed to make that provision permissive rather than mandatory, letting the shareholders of each bank decide how their elections should be conducted.

We also have proposed important changes in the lending authority of national banks. New provisions have been added dealing with lending on frozen foods, dairy cattle, and consumer instalment paper. For the first time, national banks would be permitted to make industrial and commercial loans; and the aggregate limit on all construction loans would be increased from 50% of capital to 100% of capital and surplus. Also, for the first time national banks would be permitted to make working capital loans and to make loans to finance the construction of public buildings in connection with the lease-purchase program of the government. The aggregate limit on real estate loans by national banks would be increased to include 20% of demand deposits.

Reports and Merger Regulation

Dealing with problems of supervision by Federal agencies, we have proposed authority to regulate bank mergers which would be lodged in the three banking supervisory agencies. We would streamline requirements on reports by national banks and Federal Reserve member banks, allowing the supervisory officials to tailor the reports on the basis of the size of the bank involved, and not require the same type of elaborate report from a small bank which might be required from a large one.

The supervision of trust powers of national banks would be transferred by our bill from the Federal Reserve Board to the Comptroller, who has the final responsibility for examining the trust departments.

We have met the problem of absorption of exchange by inserting in the Federal Deposit Insurance Act the same language contained in the Federal Reserve Act restricting the payment of interest. Thus, both agencies would operate under the same statutory authority and uniform application of the regulation should follow.

The proposed bill also contains amendments to the Federal Deposit Insurance Act stemming from the Committee's investigation of banking here in Chicago. In general, these provisions would give the F. D. I. C. more authority to meet problem situations.

S & L Assns. and Credit Unions

In addition to proposals relating to banks, the bill contains legislation dealing with savings and loan associations and credit unions. For example, we are proposing to regulate establishment of branches of savings and loan associations with the same provisions contained in the bill that passed the Senate last year. We also propose to regulate savings and loan companies and savings and loan mergers and have applied to savings and loan associations and their officers the same standards of conduct applicable to banks and bank officers.

We have proposed annual audits of credit unions, either by independent accountants or by the Bureau of Federal Credit Unions, and would give the Director of the Bureau authority to limit the maximum size of loans within the maximum limitation of 10% of the capital of a credit union.

It is my belief that this bill, or one much like it which will be hammered out after our public hearings, will prove beneficial to all financial institutions supervised by the Federal Government. It will require much study, however, for any one to properly comprehend a bill more than 250 pages in length and the support of all individual bankers will be needed—first, to see that we have not inadvertently included material which it should not contain; and second, to convince members of Congress who do not serve on our Banking and Currency Committee that this is important legislation and that it should be acted on during the 85th Congress.

I hope, therefore, that bankers will familiarize themselves with this bill, will follow the progress of the hearings and contribute ideas; and then, when satisfied that we have it in the best possible form, will make views on the bill known to respective representatives in the House and Senate.

Cosgrove Miller Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph H. Ternes is with Cosgrove, Whitehead & Gammack, Hanna Bldg.

White Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Oscar A. May and Fred W. Rudde are now affiliated with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Walter N. George is now associated with Yates, Heitner & Woods, 821 Pine Street, members of the New York and Midwest Stock Exchanges. He was formerly with Reinholdt & Gardner.

Joins Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Charles W. Upchurch, Jr. is now with Interstate Securities Corporation, Commercial Bank Building, members of the Midwest Stock Exchange.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James C. Rathslag has become affiliated with Francis I. du Pont & Co., 208 South La Salle Street. He was previously with Central Republic Company.

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4½% Serial Equipment Trust Certificates
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To be guaranteed unconditionally as to payment of par value and dividends by endorsement by Missouri Pacific Railroad Company.

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1958	4.10%	1960	4.40%
1959	4.30	1961-72	4.50

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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GREGORY & SONS IRA HAUPT & CO. WM. E. POLLOCK & CO., INC.

THE ILLINOIS COMPANY INCORPORATED McMASTER HUTCHINSON & CO.

January 14, 1957

$4,650,000

(First installment of an aggregate of not exceeding $14,160,000)

Norfolk and Western Railway Equipment Trust, Series A

3⅝% Equipment Trust Certificates
(Philadelphia Plan)

To mature $155,000 semi-annually August 1, 1957 to February 1, 1972, inclusive

To be guaranteed unconditionally as to payment of principal and dividends by endorsement by Norfolk and Western Railway Company

MATURITIES AND YIELDS
(Accrued interest to be added)

Aug. 1957	3.50%	Feb. 1959 and Aug. 1959	3.70%
Feb. 1958	3.60	Feb. 1960 and Aug. 1960	3.75
Aug. 1958	3.65	Feb. 1961 to Feb. 1972	3.80

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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Future of International Oil

By A. N. LILLEY*
Vice-President, The Texas Company, New York City

Optimism about the long term future of the international oil business is voiced by Texaco's foreign operations head in looking beyond the temporary Middle East oil-flow disruption. U. S. 5% growth in oil consumption per year is contrasted with Europe's 12% per year, and total free world 11 million barrel daily demand of five years ago is compared to 21 million barrels daily expected five years from now, with U. S. demand-percentage of the total declining, respectively, from two-thirds to one-half. Mr. Lilley advises facing the fact of Middle East's dominant oil position, and the need for greatly accelerated capital investments around the world. Expresses confidence that a "durable and stable" relationship between West and Middle East will emerge, and that respect for contractual obligations will grow and encourage large-scale capital-flow.

A few weeks ago, when your chairman asked me to talk about the international oil business, I accepted his kind invitation with some misgiving. It seemed to me that events had been moving so rapidly since the seizure of the Suez Canal that the timing for such a speech was not too good.

In thinking further about it, however, I concluded — I hope rightly—that this audience would be primarily concerned with a long term appraisal—a look beyond the morning's headlines to the prospects of international oil over the years ahead.

This longer look still focuses on the Middle East, for reasons with which most of you are probably familiar.

The Middle East contains at least three-quarters of all known oil reserves in the free world. To state this another way, this small area holds at least 145 billion barrels of oil reserves — more than 100 times its recent annual production rate.

The petroleum economy of the entire free world, including the United States, will depend more and more on the Middle East in the future. Proved reserves in the United States are now only 12 times what we will produce this year. Additional reserves will continue to be found in the U. S.; but in another 10 years, unless sizable new fields are discovered, about 3 million barrels a day of oil will have to be imported to meet growing U. S. needs. A substantial part of these imports will have to come from the Middle East.

All of you know the present situation. Prior to the seizure of the Suez Canal, the Middle East fields were producing almost four million barrels a day. About 1½ million barrels were being moved out through the Canal, and almost another million through the pipelines to the Mediterranean. Most of this oil moving through the Mediterranean went to West Europe.

As you can see, blockage of the Canal and sabotage of the Iraq pipelines going through Syria have resulted in a major interruption of the flow of oil from the Middle East. Lack of tankers has prevented the movement of equivalent quantities of oil around Africa to Europe.

The Need Now

The need, therefore, has been to make emergency arrangements to keep Europe supplied with her basic oil requirements from other areas. Private companies immediately stepped in and began this job; and, in recent weeks, you have all seen how our government has further organized this effort by establishing the Middle East Emergency Committee to coordinate oil shipments to Western Europe.

Rearrangements of world oil movements are now being worked out, aimed particularly at meeting Europe's requirements within the limitation of available tankers. Despite our best effort, the immediate effect of this Middle East upset is serious, both for the Middle East and for Europe. Whether it will do lasting damage depends on how soon the Canal can be reopened and the Iraq pipelines repaired. The latest reports are that the Canal will be partly open in March and fully open in May, but even this brief interruption of normal oil flow represents a sharp economic blow to both the Middle East and to Europe.

Prior to the emergency, oil revenues to the Middle East countries were running at about $1 billion per year in direct royalties and taxes, with additional millions in transit fees, local wages, purchases, and other disbursements. For a good many of these countries, oil revenues are almost their only significant economic resource. The present curtailment of production means a drastic cut in the oil revenues of the Middle East countries.

Europe's Position

As for Europe, there is no alternative to a winter of severe oil rationing. Despite everything the industry can do, there will be a deficit in oil supplies of around 15% to 20%. Restriction of pleasure driving will not be enough. There will also be slowdowns in industrial production, and, unfortunately, some resulting unemployment. There will be higher costs for many materials, and danger of further inflation.

Finally, there will be a considerable strain on the foreign exchange position of many European countries. Britain and France, for example, will have to pay for a lot of oil with dollars. Also Britain, in particular, will lose hard currency earnings because she will have less oil to sell to other countries. European exports of dry cargoes also will be hurt by the longer haul around Africa. Some East of Suez markets may be lost and will be difficult to regain.

All of Europe, therefore, is feeling the economic pinch. For Great Britain, we estimate that all of this is likely to cost, on her trade account alone, something like $½ billion of hard currency. This is a substantial sum when you consider that Britain's regular reserves figure recently dropped below $2 billion. However, the short term pressure on sterling has been greatly relieved by the large additional resources made available by the International Monetary Fund and Export-Import Bank—about $1,800,000,000.

We have to remember, too, that as an international currency, sterling is particularly susceptible to speculative drains. Much of the recent drain on reserves has been speculative and can be expected to wash back once the situation is restored.

Looking Beyond Suez

Although the Suez Canal crisis will be recorded as an important event in the years 1956 and 1957, we should not let this blind us to the tremendous strides that have been and are being made in rebuilding the economy of Western Europe. With the restoration of traffic through the Canal and the repair of the pipelines proceeding on schedule, it should not be necessary to lower, by any substantial degree, our generally optimistic view of Europe's economic future. Certainly, if the Middle East is to reach its full share of economic growth in the world, it will be dependent in a large measure on the continued expansion of its principal market, Europe.

Middle East, Too, Depends on Europe

Now, I would like to dwell a bit on this interdependence of the Middle East and Europe. The equation goes like this: on the one hand, Europe normally depends on the Middle East for about four-fifths of all the oil she imports. The Middle East, in turn, depends for its livelihood primarily on oil; and of all oil produced in the Middle East, around three-fifths normally finds its market in Europe. It is a very important fact that no such basis of mutual interest exists between the Soviet bloc and the Middle East producing countries. The Soviet areas currently are more than self-sufficient in oil resources and even have some for export, and it appears that this will continue to be the case.

Since the Suez Canal seizure, there has been a great deal of gloomy talk about the U. S. oil industry's interests in the Middle East. Well, the hard fact is that oil is where you find it—and with three-fourths of the free world's known reserves in the Persian Gulf area, I believe it is indeed fortunate that American companies have access to more than one-half of these reserves. And—I might say—that although there is some conspicuous anti-Western feeling in that area, there is a great deal of less conspicuous, but no less real, enthusiasm and admiration for this country.

Where Is Demand Growing?

These fabulous reserves in the Middle East are vitally needed:

Over the past five years, demand in the United States has been growing at the rate of about 5% per year. But in Europe in the same period, growth has been approximately 12% per year. Five years ago, total free world demand was about 11 million barrels daily of which one-third was outside the United States. Just prior to the emergency, total demand had increased to nearly 16 million barrels daily of which over 40% was outside this country. Five years hence, we expect total world demand to approximate 21 million barrels daily, and fully half of it will be outside the United States.

To meet this tremendous prospective demand both here and abroad, the search for oil is going on in every part of the world. Many U. S. companies are participating in crude oil exploration or production in the Arabian Peninsula, the African Continent, Sicily, Pakistan, Canada, Bolivia, Paraguay, Ecuador, Peru, Cuba, Mexico, and other countries. All in all, more than 100 American operators are now involved in producing or exploration in more than 30 foreign nations.

Some of these explorations show considerable promise; but as things stand today, you simply have to face the fact of the dominating position which Middle East reserves hold in the free world oil picture. Over the past five years, Middle East production has doubled, reaching nearly 4 million barrels daily. With world demand continuing to increase, there is no question that Middle East production will continue its spectacular rise.

Pictures Capital Needs

This tremendous potential growth means a number of things. Particularly important is the huge amount of money that will have to be invested around the world to find and develop oil, to provide pipelines and tankers, to build refineries, to finance marketing and distribution networks.

During the last 10 years, 1946-1955, the free world's oil industry, including American and foreign firms, has invested an estimated $60 billion — $40 billion in the U. S. and nearly $20 billion abroad. We estimate a comparable amount will be required, not during the next 10 years, but during the next five years and that nearly half of it will be invested abroad. A great deal of this money will be self-generated as in the past, but a substantial amount of outside financing will almost certainly be required.

However, it is vital that governments and peoples everywhere recognize that the granting of concessions by a sovereign government is in itself one of the great-

*An address by Mr. Lilley before the American Bankers Association's Ninth National Credit Conference, Chicago, Jan. 14, 1957.

All of these Units having been sold, this announcement appears as a matter of record only.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.

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January 16, 1957

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est exercises of sovereignty, whether such a contract be with another government, a private company, or an individual.

The fundamental basis for all international trade is credit and trust based on the recognition of the sanctity and stability of contracts freely entered into.

Creating Investment Confidence

Nationalism as an objective for any nation is one with which we in the United States must be in sympathy. However, those nations which have achieved independence must recognize that sovereignty carries with it not only privileges, but also responsibilities. In their own self-interest, independent nations must do everything possible to create an atmosphere of stability for business enterprises which will help to develop their natural resources and improve their economies in general.

We have all been encouraged to see more and more countries around the world embracing the proposition that they must adopt responsible policies toward foreign capital in order to attract it. I believe we are moving into an era in which international flows of private capital will be much more important than in the past.

I think this is a time when American businessmen, and our government, foreign business, and governments around the world, should redouble their efforts to achieve conditions in which private capital can go where it is most needed.

In appraising the Middle East, we have to realize that this area is living through a whirlwind of change. Economic development and growing trade with other areas are disrupting old patterns of life. No area of the world is feeling more intensely the worldwide tide of nationalism — the drive of peoples everywhere to stand on their own feet and be their own masters. By and large, I feel that most of the Arab countries, particularly the major producing countries, have handled their affairs about as well as could be expected during this decade of tumultuous change. On the basis of my own experience with the Middle East countries in which my own company has producing and exploration interests, I want to assure you that this area has its full share of peoples and governments with intelligence and integrity.

As a representative of one of the several American oil firms active in the Middle East, I do have a sense of pride in the role we are playing. In our overseas operations, we have neither considered nor conducted ourselves as "exploiters." We have made every effort — while studiously avoiding political interference of any kind — to make a maximum contribution to the welfare and progress of the countries in which we have worked.

Oil production in the Middle East has skyrocketed since World War II. Unheard-of sums, from the viewpoint of a few years past, have poured into national treasuries. The disposition of some of these funds has encouraged some rather fanciful stories, but the fact is that a great deal of constructive and forward-looking work is being financed by them. In several of the countries, oil revenues are largely earmarked for economic development programs. In Saudi Arabia, malaria is practically a thing of the past; and much progress has been made in wiping out the scourge of trachoma.

I've been talking here for a half hour about the picture of international oil, and I guess I've sounded optimistic. Well, I am optimistic — and for three very good reasons.

Grounds for Optimism

First, recent events point to the emergence of a stronger U. S. Government policy toward the Middle East, indicating a new awareness of the vital importance of that area. A policy aimed at safeguarding the rights and freedoms of the peoples of the Middle East should be a stabilizing influence, thus permitting continued economic growth.

Second, the West needs Middle Eastern oil supplies; and the Middle East must have Western markets. I have enough faith in human nature to believe two areas which are so vitally dependent, one on the other, will work to achieve solutions compatible with their mutual interests.

Third, and more broadly, the Middle East and others of the less industrialized areas need capital; and the West is in a position to supply it. I am confident that the essential condition for continued large scale flow of Western capital—respect for contractual obligations—will become more firmly established as the various nations see, in practice, how vital it is to their own economic advancement.

A Western statesman is reported to have said recently that the Creator placed some limits on our capacity for intelligence, but none on our capacity for stupidity. He's probably right. But the stakes of the Middle East and of the West, in building a durable and stable relationship, are so great that I am confident that intelligence, rather than stupidity, cannot help but prevail.

Phila. Secs. Assn. Elects Officers

PHILADELPHIA, Pa.—John D. Foster was elected President of the Philadelphia Securities Association at the annual meeting and election of the association held Thursday evening at the Barclay Hotel.

John D. Foster

Mr. Foster, who is Vice-President of Studley, Shupert & Co., succeeds Francis M. Brooke, Jr., partner of Brooke & Co., whose term expired.

Other officers elected were: Leighton H. McIllvaine, manager of the Municipal Department of Goldman, Sachs & Co., Vice-President; Albert A. R. Wenzel of Hornblower & Weeks, Treasurer; and F. Lester Smith of Janney, Dulles, Battles & Co., Secretary.

The following members were elected to the Board of Directors to serve for three years: Francis M. Brooke, Jr., John D. Foster, F. Lester Smith and Henry Ecrovd, Trust Investment Officer of the Provident Trust Company of Philadelphia.

Two With Reynolds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Philip D. Small has become connected with Reynolds & Co., 221 South Church Street. He was formerly with Bache & Co.

With J. N. Russell Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard H. Quigley is with J. N. Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Julius W. Noyes

Julius W. Noyes passed away Jan. 14 at the age of 69. A former member of the New York Stock Exchange, he was a partner in J. W. Noyes & Co. until his retirement from the brokerage business in 1935.

From Washington Ahead of the News

By CARLISLE BARGERON

Not since Secretary of War Stanton in Lincoln's Administration has a man worked so hard to get a job as John Foster Dulles worked to become Secretary of State. Stanton's ambition was to get on the Supreme Court. He never accomplished it.

Carlisle Bargeron

Ever since Tom Dewey began being mentioned as a Presidential possibility, which now seems to have been ever so long ago, Foster Dulles has been after the office of Secretary of State. To any other man it would have been nothing but grief. It hasn't been that for Dulles because he seems to thrive upon the turmoil which has been his experience.

I hate to join in the chorus that has been predicting his downfall. It has been more of a wish than anything substantial.

But reluctantly I am coming to the belief that his resignation will be forthcoming before many months. This is no criticism on my part for what he has done and what he hasn't done. However, my impression is that Congress is simply getting tired of hearing his name. And Mr. Eisenhower must be coming to the same feeling.

As this is being written, Dulles is being given a merciless going-over by the House Foreign Relations Committee and the worst is yet to come when he appears befor the Senate counterpart. Underlying it, of course, is that the Democrats who took such a public beating in their conduct of foreign affairs, think they have a crackerjack issue in the way in which Dulles has conducted them.

But accompanying this, Congress, as a whole, is fed up with European problems and apparently Congress reflects the sentiment of the country. The people had a fairly good reason to expect a tax reduction at this session. Here we are rolling in the greatest prosperity we have ever known but wartime excise taxes are still in effect more than 10 years after the war for which they were imposed. And, instead of a tax reduction, we are faced with a $72 billion budget, $6 billion more than last year.

However, apparently every time we get into position for a tax cut, another foreign problem arises. This year, instead of reducing the military budget, it is to be increased by some $3 billion. Why? Oh, the foreign situation has become more grave.

Dulles, as was Dean Acheson before, has become before Congress the symbol of this annoying problem. Therefore, he has come to be annoying and irritating. Congress being fed up with the problem is fed up with Dulles, and his repeated solutions.

His solutions are always "musts." We face a world calamity, he told the House Foreign Affairs Committee, if Congress doesn't accept his present solution for the Middle East. It is difficult for me as it is with members of Congress, to see the dire picture of the Middle East which Dulles paints. It was only a few years ago that Iran kicked up its heels and took its oil away from Britain. Iran soon found that it had not the technical skill to develop the oil in the first instance and no market for it in the second. It was very glad to accept the face-saving device which the United States finally offered.

If Saudi Arabia and the other oil countries of the Middle East think Russia would prove to be as attractive a market for their oil as the West, it might be a good idea to let them try it a while.

Manifestly, now that the matter has been put up to them by the President, Congress is almost compelled to give him the authority to intervene with arms which Congress will unquestionably do. But the outcome of the proposal for economic aid is decidedly uncertain, as I predicted several weeks ago it would be.

Dulles won't say and he can't very well say just how he intends to use this economic aid. The truth is that he wants a fund to pass around to the Middle Eastern bandits pretty much as Britain and France used to do when they were "global" leaders.

He is a past master in the English language. He knows how to use the thinnest distinction in words. This has long provoked the newspapermen who cover him. Together with the general feeling of Congress towards him and foreign problems, this is proving particularly vexatious at this time.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Kenneth C Kraushaar has become associated with Foster & Marshall, U. S. National Bank Building. He was formerly with Donald C. Sloan & Co.

Walston Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Robert L. Wilson has been added to the staff of Walston & Co., Inc., 901 Southwest Washington Street.

Hettinger Director

Albert J. Hettinger, Jr., partner in Lazard Freres & Co. since 1944, has been elected a member of the Board of Directors of Underwood Corporation, business machines manufacturer.

This is not an Offering Circular. The offer of these Debentures is made only by means of the Offering Circular, which should be read prior to any purchase of these Debentures.

$16,712,700

Western Maryland Railway Company

Twenty-five Year 5½% Debentures

Dated January 1, 1957 *Due January 1, 1982*

Interest Payable January 1 and July 1 in New York City

The issue of these Debentures is subject to approval by the stockholders of Western Maryland Railway Company and to authorization by the Interstate Commerce Commission.

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January 17, 1957.

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Looking at the Major Influences In the World Business Outlook

By HARVEY WILLIAMS
President, Philco International Corporation

An optimistic international business outlook for 1957 results from Philco International President's evaluation of negative factors, as tight money and high interest rates, Eastern European satellites unrest, and economic consequences following Suez crisis, and constructive factors, as rising population and consumer demand pressures, urbanization and industrialization, and myriad scientific-technological developments. Mr. Williams contemplates increased U. S. interest in Latin America; U. K. and Western European search for oil in soft currency areas not dependent on the Suez Canal; and American exports, imports and investments to exceed 1956.

The year 1956 can be dismissed with a short phrase—it has been a record-breaker. When the final results are in, it is anticipated that exports of American-made goods will show an increase of 21% over 1955 and a value of $17 billion. A gain in imports into the United States of 13% over 1955 and a value of $13 billion is anticipated. Foreign investment during the year may exceed $3 billion. Of this total, $1 billion will represent new dollar investment abroad. Approximately $0.9 billion will represent profits of American-owned foreign enterprises which will have been reinvested abroad. The balance will represent the net amount of temporary short- and long-term loans abroad made by commercial banks and other lending agencies.

Harvey Williams

The outlook for international business operations in 1957 is optimistic. It is clouded by three major circumstances. It is supported by powerful, constructive trends. It is a year during which important new trains of events may commence.

Negative Forces

As production and employment have increased during the last decade in the more industrialized countries around the globe, annual capital expenditures have grown to a point where they are outstripping the rate of savings in important countries including the United States. With the increasing demand for money, interest rates have hardened. It has become more and more difficult, as well as more expensive, for business enterprises to borrow abroad as well as at home. This condition, high money rates and shortage in the supply of capital, is substantially world-wide. It could be expected to slow down the rate of business activity and expansion. But there are major counter influences operating to maintain high production and full employment overseas. These are mentioned later. Nevertheless, high interest rates and the tightness of the capital market in the major countries of Europe, Latin America, in Australia and in the United States must be recognized as one of the negative influences in 1957.

A second negative condition is the continuing unrest in the Communist satellite zone of Eastern Europe. For a generation the Communist empire centering on Moscow has been expanding. Force and fear may hold the satellites within the orbit of the USSR still longer. On the other hand, we may be witnessing the beginning of the breakdown of another dictatorship. Should the flame of revolt from Russian tyranny spread too far too fast, a major war could ensue. If the change to greater independence and freedom comes more slowly, by political negotiation rather than by force of arms, a major war may be avoided although local fighting, such as in Hungary, may be ahead. The risk of major war is lessened by the realization of the North Atlantic Treaty powers of the dangers inherent in this situation. That was evident at the NATO Council meeting in December, when the Ministers agreed that encouragement of violent uprisings amongst the satellites should be avoided. Much depends upon the Government of the United States. Our responsibility to provide world-wide leadership has never been greater. We shall either meet that obligation with a constructive foreign policy or leave a vacuum in the guidance of world affairs which will be filled by others to our disadvantage.

The third cloud above 1957 is Suez and the consequences of its being blocked. As coal has become less and less an economic source of energy in Europe and Britain during recent years, the use of oil as fuel in industry and for the generation of power has increased. So, too, has increased the use of petroleum derivatives with the dieselization of railways and greater use of gasoline—or diesel-powered personal and commercial transport, farm mechanization and air transport. The increasing productivity of the United Kingdom and Western Europe is geared to the larger use of power and energy. It has been obvious that the Suez Canal and the pipelines to the eastern end of the Mediterranean have been becoming, month by month, more important as the main artery supplying the fuel for the increasing power and energy needs of these countries.

Perhaps it is well that Suez was blocked while Europe is dependent upon Middle Eastern oil for not more than 20% of its total energy requirements. Under such circumstances, a temporary 50% cutback in oil supply represents only a 10% cutback in total power and energy available. This is serious but not crippling. How different the situation had Suez not been blocked until Europe was depending for one-half of its power and energy requirements on oil from the Middle East. The interruption of supply *now* will hasten the development of new oil resources in areas not dependent on Suez or Middle East pipelines for delivery.

Western Europe's 1957 Prospects

The British and French expedition into Egypt and the blocking of the Suez Canal will have far-reaching economic and political results. However, at the year end, American executives responsible for the European operations of manufacturing companies are not pessimistic. Their estimates of 1957 business activity in Western Europe anticipate a slightly lower first half year than 1956 with improvement in the last half of 1957 which will make the whole new year as good as 1956 if not a little better.

For the United Kingdom, the forecast is not as optimistic. Britain faces not only a temporary reduction in power and energy supply, but also the added drain on its dollar resources which the British Government plans to offset by its recently arranged dollar credits. Again it is anticipated that a poorer first half will be followed by an improving second half of the new year and that the full year's business activity in Great Britain may range from 10% below the 1956 level to equality with it.

These expectations for Western Europe and the United Kingdom are subject to modification as reopening of the Suez Canal develops. Present expectations are on the assumption that the Canal will be cleared without delay and may be in full operation by the middle of 1957. The longer full operation is delayed, the greater will be the difficulties of the United Kingdom and Western Europe from the shortage of oil and from the increased drain of dollars as Middle Eastern oil is replaced with Western Hemisphere oil.

Summarizing, tight money and high interest rates, the continuing unrest in the Eastern European satellites, the temporary shortage of energy and power in the United Kingdom and Western Europe combined with the necessary expenditure of more dollars for Western Hemisphere oil are the major negative influences likely to be operating in 1957.

Basic Constructive Forces

Amongst the powerful constructive influences which will tend to hold foreign business activity at a high level in 1957 is the world-wide desire for a better standard of living. Never before has this demand been as evident as during the current decade. In the years since the war, it has been a rising desire not only in well developed countries such as the United States, Canada, Great Britain, Germany and France, but also in the much less developed countries and primitive areas. This popular desire is encouraging—if not demanding—increased production of goods and services on a large scale throughout the world. It is one of the principal causes of the huge expenditures abroad for capital goods with the increasing tightness of money and higher interest rates before-mentioned. It is a demand which, having been kindled, will continue for years and insist on fulfillment.

Another basic constructive trend is the rapid growth of population in many important areas. The expected levels of population in 1975 are being revised upward. The advances in medical science are decreasing infant mortality and increasing longevity. The resultant effect upon population increase, even in the United States, is startling when measured in terms of the needs of future populations for electrical power, water supply, communication, transport, food, housing, consumer durables and other perquisites of better living. The growth, during the next two decades, in business organizations supplying goods and services in a country like Brazil, where the rate of population growth is expected to be double that of the United States, will seem spectacular when we look backward from 1975.

Urbanization is proceeding rapidly in various countries abroad. It accompanies increasing industrialization. It creates a new demand for many products. It is developing mass middle class markets. This is one of the reasons why growth trends abroad are about double similar trends in the United States.

The recent events in Hungary have dealt a body blow to Communism in the eyes of world opinion. They have pointed also to the necessity of maintaining a high level of military preparedness in the free world. The utilization of man-hours in research, construction and production for military security both at home and abroad would seem more likely to increase than diminish in 1957.

Scientific Developments

Finally, the world appears to be in the early stages of great acceleration of business activity through new scientific developments, inventions and technological progress. London, Paris, Madrid, Caracas, Mexico City and San Francisco will be brought within five to six hours of New York within the next three to four years by commercial jet aircraft. It has become possible to telephone from practically any center of population in the free world to any other. With microwave, internal communication is no longer dependent upon poles, crossarms and miles of wire or cable. Voice and signals can be transmitted through the air from tower to tower across great distances at reduced capital cost and erection time. The acceleration in transportation and communication which we are witnessing will be accompanied by an acceleration in our business activities with other nations.

One can enlarge at length upon developments in electronics and their myriad applications, or in petrochemicals, pharmaceuticals, uses of nuclear energy and radioactive isotopes with their application to new or improved products useful to mankind. In these and other areas, science is breaking through barriers which seemed impenetrable only 20 or 30 years ago. The horizons of scientific development and practical application of the results are being pushed back at an incredible pace which must act as a positive, constructive stimulant to business throughout the world.

Other Expectations

There are large areas of the world where the difficulties of Suez will not affect business programs in the coming year. The proximity of Western Europe and the United Kingdom to the uncertainties associated with the Russian satellites in Eastern Europe may tend to diminish American interest in making European investments while stimulating a greater interest in Latin America.

The search for oil in soft currency countries which can supply the United Kingdom and Western Europe without use of the Suez Canal should be accelerated. If this brings about the production of oil in quantities merely sufficient to meet domestic needs in Brazil and Argentina, the economic welfare of those nations can change drastically and their currencies could well become "hard." Should such a search lead to major discoveries of oil in new areas, such as the Sahara or Western Africa, new undeveloped portions of the globe will open up for accelerated economic development within the next three to seven years.

Unless 1957 brings a crisis similar to that which the Korean War produced in 1950, it does not seem unduly optimistic to expect American exports to exceed the levels of 1956, American imports to touch a new high, and American investment abroad to continue at current levels although its destinations may change somewhat. With the increasing requirements of the United States for raw materials from outside our own boundaries, it is possible that the years of greatest dollar shortage abroad are passed and that the dollar purchasing power of foreign countries, taken in the aggregate, is commencing an upward trend which will continue as long as

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NEW ISSUE

100,000 Shares

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COMMON STOCK
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Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as are registered dealers in securities in this State.

W. E. HUTTON & CO. *KALMAN & COMPANY, INC.*

January 15, 1957

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our American economy continues to operate at a high level of activity.

Consequently, the outlook for international business in 1957 generally is good.

Delaware Fund Names Four Officers

Jas. P. Schellenger Lewis J. Ross

Donald M. Allen Donald R. Blot

PHILADELPHIA, Pa.—Lewis J. Ross has been appointed Financial Vice-President; James P. Schellenger, Corporate Vice-President; Donald R. Blot, Assistant Treasurer; and Donald M. Allen, Assistant Secretary of the $47 million Delaware Fund, W. Linton Nelson, President, announced.

Mr. Nelson pointed out that these are all newly-created posts, and said the appointments are part of a program which calls for an expansion of Delaware's executive staff in line with the growth of the Fund.

Mr. Ross, who is a director and Vice-President of Delaware Distributors, Inc., was elected Treasurer of the Fund in 1954 and will continue to occupy that office. He first entered the investment field in 1920, and has been identified with the mutual fund business since 1932.

Mr. Schellenger, a member of the Philadelphia Bar Association, is a Vice-President and Secretary of the distributing company. He is also Secretary of Delaware Fund, a post to which he was elected in 1954.

Mr. Blot, who first joined the Delaware organization in 1955, was formerly associated with several accounting firms in Philadelphia and Atlantic City.

Mr. Allen, also an attorney, joined Delaware Fund's executive staff a year ago. He was formerly associated with the Fidelity-Philadelphia Trust Company where he was engaged in trust activities.

Foster Marshall Branch

YAKIMA, Wash. — Foster & Marshall have opened a branch office at 11 South Fourth Street under the direction of Charles W. Delk.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill.—Thomas J. Stein III has become connected with A. G. Edwards & Sons, 26-A Public Square.

James D. Winsor, Jr.

James D. Winsor, Jr. passed away Jan. 11 at the age of 80. He was a partner in Yarnall, Biddle & Co. and in the past was senior partner of the old investment firm of Thomas A. Biddle & Co.

The Aircraft Industry 1956-1957

By ADMIRAL DEWITT C. RAMSEY (USN-Ret.)

Aircraft industry's total sales volume is expected to top the $8.5 billion mark set in 1955, and approach the 1956 estimate of $8.6 billion, according to Admiral Ramsey, in reviewing 1956-1957 outstanding achievements, general conditions, and production, realized and anticipated for military and civilian categories. Reports higher backlog of unfilled orders, and continued decline in military units, offset by commercial aircraft and guided missile sales.

America's aircraft industry achievements were notable throughout 1956, ranging from the flight-testing of the prototype of the first U. S. supersonic jet bomber to attainment of new speed and altitude marks.

De Witt C. Ramsey

Stemming from industry research begun since the start of the Korean War in 1950, these new production aircraft and guided missiles are now making a substantial contribution to America's ability to deter aggression.

Among the noteworthy events of 1956 was the attainment of a new U. S. speed record of 1,015 miles per hour by a standard production Navy fighter. Coupled with this was the establishment of an unofficial altitude record in excess of 20 miles and an unofficial speed mark of more than 2,000 miles per hour. These were set by a rocket-powered manned research aircraft designed to explore the problems encountered in high-speed flight.

In the guided missile field, the Navy ended 1956 with operational models in every category. Included were a ship-to-surface pilotless bomber, a ship-based surface-to-air missile launched from patrol aircraft and two types of air-to-air missiles. The Army ended the year operating three surface-to-surface ballistic missiles with relatively short ranges and a surface-to-air missile for defense against attacking enemy aircraft. The Air Force continued to use an air-to-air missile, launched from its high-speed interceptors, and a surface-to-surface missile for tactical operations.

Production of the Air Force's medium jet bomber for the Strategic Air Command was virtually completed as the year ended an activation of several heavy jet bomber wings was under way. During the year the Navy and Air Force both took delivery of large numbers of supersonic jet fighter type aircraft, and production was begun on a lightweight fighter capable of attaining speeds more than twice that of sound.

Not yet in production, but nearing the end of the research and development cycle as the year came to an end, were hypersonic intercontinental and intermediate range surface-to-surface missiles and various missiles in other categories. Research simultaneously continued on new aircraft types including chemical and nuclear powered bombers, antigravitational devices, earth satellite vehicles and many other projects once considered fantastic.

Advances in commercial aviation paralleled those on the military side. For the second year in a row U. S. and foreign air carriers placed orders and took options for more than $1,000,000,000 worth of jet and turboprop transports with American manufacturers. Backlog of orders in all types of commercial transports (piston, turbojet, turboprop) stood at $2,796,000,000 at the end of the third quarter of 1956 and was expected to near the $3,000,000,000 mark by the end of the year. The number of utility aircraft sold for business, survey, transportation and agricultural purposes continued to increase.

Review of 1956

General Conditions: During the year just ended, the activities of the nation's aircraft industry remained fairly stable. While the number of military planes produced continued to decline (as had been anticipated when the Joint Chiefs of Staff set airpower goals in 1953), the 1956 sales volume of firms making aircraft, engines, propellers, and parts is estimated at more than $8,600,000,000, compared with $8,500,000,000 in 1955. The increase in sales despite the reduction in units is attributable to:

(a) The fact that 1953 military aircraft generally weighed more and consequently demanded greater quantities of materials and utilization of man hours than those produced in earlier years.

(b) Increased emphasis on development and production of guided missiles.

(c) An increase in the number of commercial aircraft delivered.

(d) Maintenance, in general, of a high level of research and development activity.

The 12 largest airframe manufacturing companies recorded sales of approximately $5,250,000,000 in 1956 compared with 1955 sales of $5,188,000,000. The 1956 figure represents a new peacetime sales high, but company earnings and the ratio of profits to sales are expected to decline somewhat from 1955 levels. During the year, the nation's aircraft industry invested heavily in new facilities, especially those devoted to research and development. With the relatively stable production level in existence for the past several years, aircraft manufacturers have been able to concentrate on improving manufacturing techniques and on cost reduction programs, thereby providing the U. S. Government with "more air power per dollar." This steady level of production has also resulted in the establishment of a substantial mobilization base, which can be quickly expanded in case of emergency.

Aircraft Production

As in previous years, sales to the military services represented between 85 and 90% of the aircraft industry's effort in 1956. Output for the Armed Services was somewhat less than 7,000 units during the year while 1955 production amounted to approximately 8,000 units. This continuing trend, i.e., an annual tapering off in the number of units, was begun in 1954 but has been generally counterbalanced by deliveries of guided missiles. Because the military models being delivered were larger, the number of airframe pounds produced in 1956 did not drop as sharply as the overall decline in the units would indicate.

The number of civil aircraft sold during the year reached 7,500, an increase of about 2,700 over the 4,823 sold in 1955. Manufacturers of utility aircraft accounted for the bulk of the increase because 1956 utility plane and helicopter deliveries reached a figure of about 7,100, as against 4,575 in 1955. Utility aircraft sales are estimated at close to $100,000,000 for 1956. The comparable figure for 1955 was $63,112,000. Approximately 200 of the utility aircraft produced in 1956 were of the large twin engine variety, as against 132 in 1955.

With the introduction of advanced models of existing reciprocating powered commercial airliners, the number delivered in 1956 approximated 200 compared with 113 during the previous year.

Employment

Aircraft industry employment averaged 800,000 during the year. Production workers increased their hourly earnings from $2.17 in 1955 to $2.31 by September 1956 and the trend was still upward as 1956 came to a close. According to the best estimates, the aircraft industry's total wage and salary payments to employees will exceed $4,400,000,000 for 1956, and these figures do not include the payrolls of the aircraft industry's suppliers, subcontractors and vendors.

According to the Bureau of Labor Statistics, the average number of 800,000 employees moved the aircraft industry into first place among the nation's employees. The aircraft companies are followed by the automobile industry (average employment 750,000), steel mills, rolling mills and blast furnaces (average employment 650,000), communications equipment manufacturers (average employment 550,000), and manufacturers of cotton and rayon fabrics (average employment 458,000). Possibly even more significant than the fact that the aircraft industry is the nation's number one user of manpower is its utilization of engineering and scientific personnel. Approximately one out of each 10 workers on aircraft payrolls is now engaged in engineering activities. In World War II the ratio was one to 25.

Prospects for 1957

Within the next 12 months America's aircraft industry will have met the national air power goals set by the present Administration late in 1953. By July 1, 1957, the U. S. Air Force will be equipped with 137 modern wings of fighters, bombers and transports. The Navy's 17 carrier air groups, the Marine Corps', three air wings and Army Aviation also will be progressively modernized.

By the end of 1957, th USAF's Strategic Air Command will be equipped with several of its 11

Continued on page 130

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

January 17, 1957

291,967 Shares

Southwestern Public Service Company

Common Stock

Par Value $1 per Share

The Company has issued warrants to holders of its Common Stock evidencing rights, expiring January 30, 1957, to subscribe for these shares at the rate of one share for each 14 shares held, with the privilege of subscribing for additional shares subject to a subscription privilege granted to employees and to allotment if total subscriptions by warrant holders and employees exceed 291,967 shares, all as more fully set forth in the prospectus. Unsubscribed Common Stock may be offered by the underwriters as set forth in the prospectus.

Subscription Price $24.50 per share

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.

Eastman Dillon, Union Securities & Co. — Blair & Co. Incorporated — Blyth & Co., Inc.

Goldman, Sachs & Co. — Harriman Ripley & Co. Incorporated — Kidder, Peabody & Co.

Carl M. Loeb, Rhoades & Co. — Smith, Barney & Co.

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G. H. Walker & Co. — Rauscher, Pierce & Co., Inc. — The Milwaukee Company

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THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market offered scant comfort to the bullish element this week as the steels ended their long upsurge with several losing sessions that hacked a bit viciously at values of such as Bethlehem, Inland and Youngstown Sheet.

Sugars Strong

It was a general retreat in the ferrous section, with such usually slow-moving items as U. S. Steel giving up a couple of points in a single session. The chief support for the constructive side was furnished by the sugar issues which continued to show as regulars on the new highs lists, including American Sugar which erupted on one of the wider one-day gains of the week. Prices of the actual commodity continued to race uphill, helping the shares keep their progress going.

* * *

Motors were a weak spot. Tales that steel demand had been levelling off, chiefly due to trims from the auto makers, did their work on both groups and General Motors in particular was making a stand within rather easy reach of its 1956-57 low. Ford and Chrysler were not in such imminent danger of violating their lows, although neither was able to show any independent strength worthy of the name.

* * *

American Telephone which had advanced around half a dozen points so far this year on persistent, near-sensational strength, ground to a halt at least temporarily as the general market turned heavy.

* * *

The over-all performance was strictly in line with the work of the technicians—repeated failures on the part of the industrial average to work through the 500 level breeding subsequent reactions.

* * *

The long dormant rails, which, it had been hoped, would wake up and take over leadership as the industrials faltered, chose instead to accompany the senior issues on the downhill slide, although they are well enough depressed so that there was little urgent liquidation along the way. The rail average, as a matter of fact, was poised on the brink of dipping to a new low for more than a year.

* * *

Among individual groups there were other frustrations. Both the food and store groups which largely sat out the bull swing and consequently were overdue on at least one fling in the limelight were, instead, somewhat prominent in posting new lows for better than a year.

Bright Spots

The list was being culled a bit more actively for some brighter spots that had shown ability to fight off the selling or for those already well depressed that might be in position to make a turnabout. One that fitted into the former category was Houston Lighting & Power which not only put two successive gains together when selling was general but also carved out one of the best gains on the board on one of these.

* * *

This action gets impressive backing from some of the past performances of Houston Lighting as well as additional support from the company's ambitious expansion program that aims at nearly doubling capacity over the next three years. The company operates in a fast growing area and the increase in home consumption alone in the area was double the average rise for the nation as a whole. Its costs, consequently, are well under the national average.

Recovery Candidate

More in the nature of a recovery candidate is Climax Molybdenum which suffered an earnings dip last year from operating on low-grade ores. The company has returned to higher grade ores and is a candidate for increased profits this year. Its well-covered dividend is well above the 5% line. Moreover, uranium operations of a subsidiary have been growing as well as its participations in the oil business. One estimate is that its petroleum income has grown to around $2,000,000 as of last year.

* * *

A growing company in the paper field is Union Bag-Camp Paper which added importantly to sales half a year ago when Camp Paper was brought into the fold. It is the largest paper bag producer and ranks high in other paper products. In the financial sphere, it not only had the best profit-margin in the paper field but has been nudging its margin even higher since last year's acquisition. Unlike the other paper companies that showed a return recently of less than 4%, Union Bag's well sheltered payment runs around the 4½% level.

Railway Equipments Favored

Railway equipment issues were held in high regard in many quarters because of their high-level activities and large backlogs that assure good results this year. The issues have had little market action despite a 1956 freight car production that was about double that of the previous year. Standard Railway Equipment, for one, is being projected through this year to a doubled profit. This, in turn, will make it a candidate for better dividend action over and above the present rate which shows a yield of around 7%. The stock held for a year in a very narrow range out of which it recently erupted on the upside, which sometimes is the prelude to a worthwhile advance.

Drug Issues Win Support

Drugs shares also had many champions with the merits of one issue over the other forming a brisk debate. Merck & Co., which has no single product on which its fortunes rest, was popular precisely for its lack of dependence on a single item. Earnings have been stepping ahead smartly ever since its merger several years back with Sharp & Dohme. Foreign operations have been growing importantly and new plants are being started abroad this year; the foreign results are near to providing a quarter of total sales.

* * *

Bristol-Myers, conversely, was favored largely because one of its products, Bufferin, has been making sensational inroads into the aspirin market. Not that this is the only product of the firm. It has several other proprietary drugs about ready for extensive sales promotion. But the growth of Bufferin has been enormous, although heavy advertising that has gone along with it has kept profits from fully reflecting the success. Nevertheless, the over-all results anticipate a gain for this year and the stock is already widely mentioned as a candidate for better dividend action this year.

* * *

Warner-Lambert Pharmaceutical is, perhaps, the merger item in the group. More than a year ago the old Warner-Hudnut company acquired Listerine by merging with the Lambert Co. and assuming the present name. Back at the time of World War I it acquired Sloan's Liniment which was a famous name of its day. A more recent merger with Emerson Drug gave it Bromo Seltzer, also a widely known preparation. It leaves the surviving corporation as a widely diversified one in the drug field, balanced between ethical and proprietary drugs and cosmetics. In addition, it is a factor in plastic and glass containers for its own and other industries.

[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.]

Continued from page 2

The Security I Like Best

built several of the test sleds now being used by the Air Force and Navy.

(4) **External Stores:** Jettisonable fuel tanks and pods of various kinds used to house numerous classified instrumentation.

(5) **Sophisticated Test Equipment:** Since it is a problem to check out the instrumentation on our newest bombers, Centry Engineers has designed and built a telemetering Truck which is actually a mobile radio station. Characteristics of the airplane's instruments are scanned by sound, by scope and/or by tape. Tape recording can be played back to simulate flight conditions. Also, the company is licensed by North American to produce a hydraulic vibrator and is currently in production on a vibration machine for the Air Force.

Century Engineers is estimated to have billings in the neighborhood of $6.8 million in 1956 (vs $4.2 million in 1955) with net after taxes somewhat above the $102,000 reported a year ago. Profit comparisions are not highly significant, however, in companies of this type because of different accounting expediencies adopted from year to year. There are now 180,000 shares of $1 par common stock outstanding, which after the dividend requirement on 50,000 shares of $3 par 5% convertible preferred of $7,500 should be about 60 cents per share. (Assuming full conversion, earnings per share would be estimated at about 50 cents per share on 230,000 common.)

The convertible preferred is all held by employees. The common is currently being traded in the Over-the-Counter Market between 4⅞ and 5¼ per share. While this present price is well in line with earnings and book value (over $4), I consider this stock to be best appraised in relation to its potential value. Future earnings should develop from research and development costs written off over past years. Defense spending and labor saving investments by industry will both contribute to the fortunes of Century Engineers.

Norfolk & Western RR. Equip. Tr. Clfs. Offered

Halsey, Stuart & Co., Inc. is manager of an underwriting group which is offering today (Jan. 17) $4,650,000 Norfolk & Western Ry. 3⅝% equipment trust certificates, series A, maturing semi-annually Aug. 1, 1957 to Feb. 1, 1972, inclusive.

The certificates, first installment of an aggregate issue of $14,160,000, are priced to yield from 3.50% to 3.80%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 93 diesel-electric locomotive units estimated to cost $18,909,000.

Other members of the offering group are: Baxter & Co.; Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Co.

Robt. Vulcan Joins Cantor, Fitzgerald Co.

BEVERLY HLLS, Calif.—Robert Vulcan, for the past year an editor with Prentice-Hall, has joined Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, as Director of Research, it was announced by B. Gerald Cantor, President.

Mr. Vulcan received his B.A. degree from the University of Southern California, where he was a Phi Beta Kappa student. He also studied at Columbia University under a Gilder Fellowship and will receive his Ph.D. degree at the New School for Social Research this fall.

He was a branch manager and security analyst for J. W. Kaufmann & Co., and did operations research for Popular Merchandise Inc., of Rockville Centre, Long Island.

Two With A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard H. Mabbatt and Arthur R. Rapp have become associated with A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. Both were formerly with Weil, Pearson & Co.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, N. Y., at the close of business on December 31, 1956, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	$6,913,567.68
United States Government obligations, direct and guaranteed	13,746,693.61
Obligations of States and political subdivisions	3,033,494.29
Loans and discounts (including $2,415.61 overdrafts)	17,898,228.04
Banking premises owned, none; furniture and fixtures	73,008.92
Real estate owned other than banking premises	23,120.32
Other assets	154,616.08
TOTAL ASSETS	$41,842,728.94

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$22,152,329.63
Time deposits of individuals, partnerships, and corporations	3,900,170.23
Deposits of United States Government	256,871.71
Deposits of States and political subdivisions	10,759,317.95
Deposits of banks and trust companies	745,297.47
Other deposits (certified and officers' checks, etc.)	340,535.33
TOTAL DEPOSITS	$38,154,522.32
Other liabilities	252,278.78
TOTAL LIABILITIES	$38,406,801.10

CAPITAL ACCOUNTS

Capital†	$1,000,000.00
Surplus fund	1,000,000.00
Undivided profits	1,435,927.84
TOTAL CAPITAL ACCOUNTS	$3,435,927.84
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$41,842,728.94

†This bank's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$8,930,425.30
(a) Loans as shown above are after deduction of reserves of	123,775.81
(b) Securities as shown above are after deduction of reserves of	204,970.08

I, K. W. Landfare, Comptroller of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

K. W. LANDFARE.

Correct—Attest:

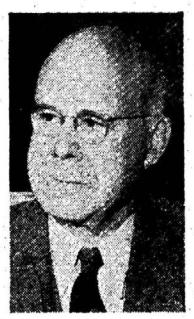
SUMNER FORD
PERCY MAGNUS } Directors
JOHN E. BOOTH

Electronics Outlook for 1957

By CHESTER D. TRIPP
President, Television-Electronics Fund, Inc.

A continuation of the upward trend in the general economic and electronics field in 1957, and possible doubling of the electronics industry in the next several years, are predicted by Mr. Tripp. Acknowledging the declining TV manufacturing pace, Mutual Fund head expects 1957 output to match the 7.2 million sets produced last year, accompanied by a rise in color receivers. Believes defense and industry spending, particularly due to the stimulus given to the instrumentation segment by nucleonics, and further expansion in radio sets and transistors, will raise total output of electronic products from $6 billion in 1956 to $6.65 billion this year.

It is manifestly clear that electronics is still the fastest growing segment of the U. S. economy. The year 1956 gave evidence that this field of activity had lost none of its dynamic power, which had brought electronics to the forefront of the industrial picture in a comparatively few years. This has been accomplished despite natural adjustments with the field which were a concommitant to rapid growth. Such adjustment continued into 1956, especially in the television phase, but we can confidently foresee an end to the adjustment period and a renewed surge upward in the next few years.



Chester D. Tripp

The atmosphere of the general U. S. economy was one conducive to growth in the electronic field. While some clouds hung over the picture of industrial activity, in such areas as automobiles and building, for example, nonetheless when the final tabulations are made, the record will show that the year was one of record activity. We estimate that Gross National Product, which measures our national output of goods and services, will come to rest at about $412 billion, an all-time record. It should be noted, at the same time, that the last quarter of 1956 indicated GNP at an annual rate of $420 billion and this has significance in casting the mold for 1957. This year, barring war or increased tensions in the Middle East or other areas outside the U. S., we expect that Gross National Product will establish another record within a range of $425 billion to $430 billion.

A further indication of national economic health in 1956 was the magnitude of Disposable Personal Income, which measures the purchasing ability of our people. We estimate that calendar 1956 will register a new all-time record of $285 billion, with the fourth quarter of the year at an annual rate of $292 billion. In 1957, our studies indicate a probable level of Disposable Personal Income of $300 billion.

Electronic's Bright Outlook

In view of these projections, among others considered in establishing what we feel will be the pattern of activity this year, the outlook for electronics in 1957, and in the immediately succeeding years, is bright. Electronics has for too long been measured by the yardstick of television, which though a "glamor" division is by no means the guide to proper understanding of the whole field. To fully comprehend both the activity and the potential of electronics one must consider the broad application of electronc principles to the commercial, industrial and defense facets of the U. S. economy. Further, one must bear in mind an important growth element emanating from the still incipient progress in the field of nucleonics. For without electronics—embodied in instruments for measurement, control and safety—nucleonics cannot move out of the realm of theory and progress into the area of practical utility.

It is a fact that today the electronics market is still largely dependent on military demand, but we feel that the increase in other segments of the electronic field will change this situation sharply over the next five years. In the forefront of this change is the already noteworthy growth manifest in industrial electronics and in the use of computers, which are finding a broadening application in all phases of the economy.

The total output of electronic products, measured by factory prices, in 1956 is estimated at $6 billion, up from $4.45 billion in 1955. We anticipate a new production high in 1957 and a level of output at $6.65 billion. Output of electronic equipment for the military is estimated at $3 billion for 1956, an advance from the $2.6 billion taken by the Armed Services in 1955. Since the guided missile segment of military activity is in an ascending cycle and since electronic products are finding wider application in aircraft, it is conservative to forecast an output of $3.25 billion for military use in 1957. Government expenditures for guided missiles are expected to amount to $1.25 billion for the 1957-58 fiscal year, compared with $917 million in the 1956-57 year and $569 million in 1955-56. Because of military urgency to perfect an intercontinental ballistic missile, it is a realistic conclusion that this segment of military procurement will go ahead at an increasing tempo.

Wonders of Electronic Controls

The area of electronics which contains the germ of largesst expansion is that embraced by industrial and commercial applications. Industry is doing everything to reduce manhours per unit of output, to improve quality of product and to avoid losses through improper processing. The answer to all three problems is contained in the application of precise electronic controls to machine tools, fabricatig equipment and processing operations. A sizable start has already been made in this direction in such industries as chemicals, petroleum, soap and others.

Approximately $800 million of such electronic equipment was produced in 1956, a material advance from the $660 million produced in 1955 and a sharp increase above the $570 million in 1954. This upward trend should accelerate in the years ahead and a $1 billion output of electronic equipment for industry use appears reasonable for 1957.

A significant element in the industrial electronic field will be the stimulus given to the instrumentation segment by nucleonics, particularly for reactors. Because of radiation hazards, it is imperative that all such installations be equipped with instrument consols for both measurement and control. These consols are quite elaborate, containing a large assortment of instruments.

In another area of electronics, we find a remarkable advance recorded in 1956 in radio output. This approximated 14.4 million sets last year, compared with 13.4 million units in 1955. For some time it was assumed that radio was saturated, but at the end of 1956 there were 142.2 million radio sets in use, in contrast to 138.8 million at the close of 1955. Automobile radios have increased phenomenally with 37.5 million sets in use at the end of 1956, compared with 35.6 million at the close of 1955 and only 17 million in place five years earlier.

Soft TV Sales

The softest area in electronics last year was acknowledgedly that of television set manufacture. However, we should not overlook the tremendous advance made in this area in a matter of about a decade and lose our perspective in contemplating the future of this phase of the electronic art. Television set production in 1956 totalled 7.22 million sets, not much below the record 7.76 million sets produced in 1955. The early part of 1957 will probably be under the corresponding period of 1956 while inventories in the hands of distributors are reduced. We expect, however, that output for 1957 as a whole will closely approximate 1956. From the standpoint of the industry, the profit phase in 1956 was none too encouraging because of the impact of lower-priced portable television sets. In the last quarter of the year just ended, factory sales of portables were about 20% larger than table models.

As to color television, there are no exact figures, but inquiry in the trade indicates sales of about 225,000 sets in 1956. As more color programs are put on the air, it is expected that sales in 1957 would reach 350,000.

One of the smallest of all pieces of electronic equipment came into its own in 1956. Introduced first in hearing aids, the transistor has now graduated to the radio set and should soon find broad application in computers. Considerable research is under way in the laboratories of business equipment manufacturers to replace vacuum tubes with this "mighty mite" of electronics. Factory sales of transistors in 1956 totalled about 12 million units and had a value of approximately $34 million. This is an astounding increase over the 3.25 million units, with a value of $11 million, produced in 1955. The enlarging market for transistors indicates that factory sales in 1957 could come close to 25 million units, with a value of nearly $55 million. The lower unit value results from the fact that manufacturers have been reducing unit prices with the objective of enlarging their markets.

TV and Radio Broadcasting Stations

Last but by no means least in an appraisal of the entire electronic field is the contribution to its economic health which broadcasting makes. While this segment provides a service rather than a product, it does constitute an important part of the overall picture because of the fact that equipment of an electronic nature must be used. At the end of 1956 there were 494 television broadcast stations operating, compared with 459 at the end of the previous year. Of the 1956 total, 393 stations were using the very-high frequency channels and 96 were broadcasting over the ultra-high frequency band. Further, despite misgivings over radio station survival in competition with television, there were 3,024 radio stations on the air, or an increase of 210 such stations over the 2,814 on the air at the close of 1955.

The number of stations in operation does not give the full picture of the growth in this segment of electronics, however. The use to which broadcasting facilities in television, for example, were put is much more enlightening. We estimate that television advertising revenue in 1956 will total $1.24 billion, compared with a "Printers Ink" figure of $1.02 billion in 1955 and nearly three times the 1952 volume of about $450 million. With the probability of another 40 television stations going on the air during 1957, and an increase in the number of color telecasts as well, advertising revenue may be projected at approximately $1.45 billion.

The foregoing, and any other, projections made as to the future whether it be in the economy as a whole or in electronics in particular must be conditional since no one can claim the power of omniscience. On the basis of our studies of the electronic field, and presuming that world conditions will not deteriorate to major proportions in the ensuing year, we must conclude that the pattern of electronic growth witnessed during the past decade will continue. It appears to us conservative to say that in the next seven years the electronics field could double the factor of demand for its products and services.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

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(To bear interest from February 1, 1957)

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Subscription Price 100%

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January 14, 1957.

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Overcoming Our Advantage, Or a Permanent Dollar Gap

By ROBERT S. NIELSEN
Economist, Standard Oil Company of California

Looking back at ten years of financial aid extended abroad, Australian born economist here seven years, asks why, despite buoyant conditions, Europe cannot close its dollar gap, and ponders what this may foretell for the future. Even if other countries climb back to their pre-Suez levels in a short time, Mr. Nielsen believes, they still will have to find ways to overcome our general marked comparative advantage in international trade. Attributes American cost advantage to our: productivity differential, superior sales and marketing techniques, use of native personnel in foreign operations, developed research and widespread business education, financial and personnel "reserve capacity," and temperament and mental outlook.

For some years this writer has believed that the "dollar gap" is now a permanent feature of the world economy. This belief received support in a lecture delivered by Mr. Geoffrey Crowther, Managing Director of "The Economist," at the University of California at Berkeley on Oct. 23 of 1956. Without giving his reasons, Mr. Crowther stated that the dollar shortage had existed for quite some time and he expected it to continue well into the foreseeable future.

Robert S. Nielsen

This line of thought is contrary to the general belief held in the United States and in Europe. We have become accustomed to being told that the trading pattern of the postwar world is abnormal and the replacement of multilateral patterns by bilateral agreements is something transitory. We are led to believe that if we could only return to the glorious days of 1928, or better still of 1900, the problems would all disappear. Dollars would abound; sterling would be strong; and the world would be sharing bigger and bigger slices from an ever-increasing international trade pie.

No End to Dollar Gap

It is suggested that this belief is not only misguided, but is completely wrong. Important changes have occurred in trade and trade policy in recent years, but their significance has been overlooked by most economists. Nineteenth century liberalism and its foster child—free trade—are both totally defunct. The world now operates under a myriad of controls and restrictions, and in this changed setting the dollar gap reappears year after year like an unwanted guest. The United States is richer than the rest of the Free World, and each year sees it becoming still richer. The dollar shortage becomes correspondingly acute for most of the trading nations of the world.

The United States has tried to help correct this situation. From July 1, 1945, through June 30, 1955, the United States has given more than $51 billion in foreign grants and credits, both military and otherwise, to the Free World. Details are:

(Millions of Dollars)

	Total Postwar Period	Before Korean Invasion	After Korean Invasion
Other Grants	25,686	15,611	10,075
Other Credits	10,987	9,286	1,701
Total	51,336	26,260	25,076

SOURCE: Survey of Current Business, October, 1955, U. S. Department of Commerce.

The largest proportion of this total has been channeled to Western Europe, but in recent years increased amounts have been directed to the underdeveloped countries. Grants and credits for economic purposes have become more important than military aid.

However—more than 10 years after the commencement of the program, the United States still finds it necessary to give aid to various areas of the world including Europe. This is extremely significant. The dollar gap has not been closed, although Europe is operating at full capacity, employment and output are at record levels, and the countries concerned have been riding high on a wave of prosperity. (Whether this prosperity can survive the shock of Suez remains to be seen.)

It can now legitimately be asked why Europe, in spite of record levels of economic activity, is unable to balance its dollar accounts. It can also be asked—if Europe is unable to close its dollar gap, in spite of buoyant economic conditions, what chance is there for other areas of the world to do so? Particularly when most in this latter category are engaged in development programs which depend heavily on investment from overseas.

Reasons for the Gap

It is believed that two reasons are particularly valid in accounting for this situation. First, demand for American goods remains high and import pressure is accordingly strong. Second, and perhaps more important, attempts to capture larger shares of the U. S. domestic markets (and the "U. S. competitive" markets) by foreigners have proved unsuccessful.

It is true that many countries have imposed restrictions on American imports in the postwar world as a means of conserving dollar exchange. But there are many commodities produced by the United States for which there are no real substitutes — demand for these commodities is inelastic. This is not serious if it is possible to increase exports to the United States proportional to the increase in imports from that country. This has generally been recognized by the countries concerned, and emphasis has been placed on developing exports in order to increase dollar earnings.

However—herein lies the big difficulty which the dollar-deficient countries have had to face. They have been unable to compete with American producers in the markets where dollars could be earned. The simple fact is that America has a comparative advantage in industry, commerce and certain areas of agriculture **when and where it is necessary to have one.** It is an oversimplification to say the United States can be efficient without even trying, but it is correct to suggest that American businessmen can develop and extend superior techniques under the spur of competition. Their ability to do this reacts adversely on the fortunes of foreign competitors.

Professor Hicks has put forward a somewhat similar suggestion in his essay printed in the *Oxford Economic Papers* of June, 1953. He believes that the dollar shortage is due to the disparity between the rate of economic advance which America has been able to achieve and the rate which most other countries have achieved. But, Professor Hicks considers this as emanating only from productivity changes in the sense of greater output at lower unit cost by the American worker *vis-a-vis* the rest of the world. It is true that high productivity, mainly due to heavy capital investment, gives the United States a cost advantage in many industries. But this does not cover the complete situation. It is suggested, in addition, that America's comparative advantage in international trade is most marked in areas that are not normally regarded as significant by economists, but which are, in fact, the important reasons for this country's continued economic supremacy.

Superior Sales and Marketing

This means that even where the cost advantage due to productivity differentials in industry is not immediately apparent, the Americans will develop one by **superior sales and marketing techniques.** The world has too often tended to sell the American salesman short in international markets. He has been the butt of many cartoons in various national newspapers of both friendly and unfriendly countries. In truth, he is normally a hard working, capable, university trained individual, replete with confidence, because he knows the product he sells has both "use-appeal" and "eye-appeal." His efforts are backed by a complete and up-to-date analysis of the market in which he operates, and he is completely familiar with the language of the country in which he may be domiciled. He can be sure of complete co-operation on the part of U. S. Consular and other governmental authorities located in the foreign land where he may be stationed. He is in continual touch with his American superiors, and returns home periodically for refresher training in the very latest marketing techniques. In short, the American organization believes that its representative should have freedom of action once in the field, but his operations will be conditioned by a first-class, supporting sales management staff. Extremely important, of course, is the fact that his thinking will be closely geared to the "profit motive" and its complement, "competition." Many countries of the world which lean heavily on nationalized undertakings at home are unable to shake themselves clear of this psychology when abroad. It puts their representatives at a disadvantage alongside the Americans.

American corporations sometimes vary this procedure by employing nationals of the countries in which they operate to act as their sales and marketing representatives. This is particularly true in South America—it is also equally true in Australia and some of the European countries. And the American oil companies in the Middle East have consistently pursued a policy of training for the Arabian people in all fields and at all levels.

Use of Native Personnel

This variation improves still further the American method of economic penetration by individuals. It is often less expensive to use local skills than to train and import Americans. The presence of native salesmen eliminates opposition to foreign operations within certain countries. It helps to lay the foundation for a sound economic structure by building up a core of well trained specialists. Increased income payments lead to increased consumer spending and further opportunities for development.

The Americans have been successful with this system in both the developed and underdeveloped countries — in marked contrast to some of the other nations. In fact, resentment has usually only arisen when the Americans have denied foreign nationals the right to participate in management and marketing affairs. This is true in Canada where the locals express a sincere desire to **share** with the Americans the development of the Canadian economy.

Another reason for the United States' general comparative advantage in international economic relationships is to be found in their ability to **recognize and exploit valuable markets.** This point is clearly allied to the previous one of superior marketing techniques.

The domestic U. S. market is, of course, the most valuable one in the world economy, and, as would be expected, the Americans control most of it. But this situation is never taken for granted—the American businessman is continually analyzing the domestic market in order to find additional outlets for new and existing products. Consumer research is a vital part of business activity within the United States, because it leads to a better awareness of just what products will sell in large quantity. The producers are actually trying to anticipate consumer preference even before the consumer has crystallized his desires.

Penetration of the domestic market is a logical prerequisite to penetration of international markets by American businessmen. In this process private capital has invariably led the way. American capital, under the spur of the profit motive, has found its way into what may be termed the "valuable" market areas of the world and the Americans are reaping the benefit. The Middle East is an example of investment in natural resources (oil), while Australia is an example of development extension (automobile production).

It can also be argued that the United States government has helped in the penetration of the valuable markets of the world by its grants and loans, particularly those to Western Europe. The recovery in Europe since World War II, almost entirely the result of U. S. aid, has proved valuable to the United States.

It can be stated correctly that the rest of the free world has lacked the financial status necessary to successfully invade some of the valuable market areas of the world, even when they have been correctly evaluated. This, however, merely lends support to the general argument being presented in this article.

Penetrating U. S. Market

There are some markets, however, where financial status has not been the limiting factor. The European exporters correctly assessed the United States domestic market as being the most valuable one for them to enter. Their attempts to penetrate this market have been only partly successful and the tariff wall is **not** the reason for this failure, although undoubtedly some industries have suffered from this. Too often the foreigners have failed to understand the fundamentals underlying the market. Their research has been nominal; their attention to advertising slight; and their marketing techniques generally inferior. (Too often the commodities have been in the same category!) Some penetration has occurred, it is true. We can call to mind the Volkswagen car, Scotch whiskey, British bicycles, Swiss watches and Japanese china, but it is suggested that these are the exception rather than the rule. And it is noteworthy that all of these commodities have been tailored to fit American demands and have been accompanied by advanced marketing techniques.

It is considered significant also that even where Western European countries have a "traditional" market advantage, such an advantage has often been maintained only by excluding American competition through quota, exchange controls or import licensing. The British dominions in particular, have all shown a marked preference for American products whenever these import barriers have been lifted.

Too often the traditional markets have been treated in off-handed fashion by the "mother country. Canada is taken for granted by British exporters and investors, but the Americans recognize it for what it is—the most rapidly developing area of the world today — and govern their economic conduct accordingly. British motor firms moved into Australia in integrated fashion **after** General Motors had set up a plant to manufacture the first local automobile. But they were too late—General Motors already had a stranglehold on the market

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Research and Business Administration

The role of **research** has been briefly touched upon; this is one important part of the general program of **education** within the United States which also contributes to its comparative advantage in international operations. This is purely a financial advantage which the rest of the world cannot hope to match. The Americans believe that every child should have the opportunity to go to a university if he so desires it, and considerable financial assistance is made available to help achieve this. This is not so in other countries of the world. Too often university training is restricted to the favored few, which usually means those capable of paying the high tuition fees. Consequently there are more students studying in American universities than there are in all those of the rest of the free world.

It is true that this system leads to a large degree of waste, but it also leads to the development of a core of highly trained people. The significant fact is that a large proportion of these people are trained in the comparatively new science of business administration.

This is a peculiarly American development. The universities of the United States, supported by American business enterprise, have developed business administration as a science. To elevate a subject to the status of a science does not necessarily improve it. But when such an elevation is backed by the total resources of American industry and commerce and is welded to a fine academic system, then improvement and extension is certain and sure. The business schools are strongest at the best universities in the United States, and improvements are continually being made in research and teaching methods. The results of the universities' specialization are most apparent in the leading business corporations of the nation; co-operation between businessmen and academicians is automatic, because of the mutual benefits that ensue.

This is not true of Europe and other countries of the world that have come under the influence of British and European educational organizations. To them business administration is a minor field of interest; the emphasis is still on the teaching of economics "for its own sake" in the classical tradition. Some universities do teach "commercial" subjects, but this is a marginal process and unlikely to lead to any far reaching change of attitude.

Financial and Personnel Reserve Capacity

The American comparative advantage is also clearly marked in what might be termed the "**reserve capacity**" of the business sector. This expresses itself in financial and personnel reserves. Standard Oil Company of California, for example, maintains a high degree of financial liquidity in order to take advantage of any economic opportunity that may arise. This fortunate state of affairs is denied to corporations in less favorable situations in other countries of the world.

But even more important is the reserve capacity of personnel available within business corporations in the United States. It is not suggested that American corporations are overstaffed, but it does appear that they have reserve capacity at high levels. A vice-president can be dispatched to other parts of the United States, or abroad, to handle some urgent development while his capable subordinates handle the routine matters at the Head Office. The president of one of America's leading electrical companies used to say ". . . I can afford to go to conferences, committee meetings and planning groups because I know the younger members of my corporation can cope with all the routine matters and most of the non-routine ones while I'm away." There is a reserve capacity of personnel in these big organizations which gives a depth of quality possible only in a country rich enough to pay the sums necessary to obtain the very best.

Conscientious Application

Finally, there is the question of the **individual temperment** and **mental outlook** of the people. The Americans firmly believe that it pays to work hard and to be conscientious. This feeling manifests itself in a national psychology of reward for ambition and effort. The **average** American works harder and with more pride in his accomplishments than his counterparts in other areas of the world. This is not a theoretical proposition. The writer is an Australian who has lived in or visted Australia, New Zealand, China, Japan, the United Kingdom and Europe before coming to the United States several years ago. In none of these areas was the quality or quantity of work performed comparable with similar occupations in the United States. (Some exceptions should be noted in the agricultural industries of Australia and New Zealand.) The lesson is very clear. Until the people of these other nations realize there is no substitute for conscientious application to their tasks (not even automation), they cannot hope to lift their living standards anywhere near the American level.

All of the foregoing discussion adds up to one thing—the Americans have a marked comparative advantage in their commercial and industrial life which expresses itself as a cost advantage in international trade. This is actually an extension of the productivity argument advanced by Professor Hicks, and it brings to light American advantages implicitly suspect, but never defined. It emphasizes the reason for the chronic dollar shortage which very simply, is the inability of other nations to match the United States in their business methods and management techniques. Only part of this adavantage can be allocated to financial superiority, the remainder is the result of the temperament and commercial attitude of the population.

Of course, there are exceptions to this general doctrine — there always are. The foreign advantage in certain specific commodities has been mentioned earlier, and it is possible to regard American agriculture as generally falling into the exception category. It has been built up on what are virtually perpetual subsidies and seems likely to remain a high cost industry. But it can also be argued that agriculture does not lend itself readily to advanced business techniques and is hardly relevant in a discussion of this nature.

Some nations are able to match the United States in certain specific industries such as shipbuilding. Others are able to extend their efficiency sufficiently far to ensure adequate dollar earnings. Switzerland and West Germany are two such cases.

But, it is repeated — these are exceptions. The greater bulk of the world is only able to meet its commitments and maintain its standard of living through American dollars received as grants or credits.

In conclusion, if there should still be any doubts that the dollar shortage will not be a permanent feature, let us ponder the consequence of the recent British-French action in Suez. On Dec. 4 —approximately one month after the invasion of Egypt—the British Government asked the United States to waive approximately $82 million in interest payments falling due that month. The object, as explained by the British Government, was to try to save sterling as a major international currency. At the same time the British Government put the nation on notice that income taxes —already the highest in the world —might be increased, and **dollar** securities might have to be sold to keep the country solvent.

It didn't take long for the economic weakness of Britain to manifest itself — approximately one month. The economies of Britain and France and most of the other European nations are, at the best of times, in a very delicate state of dollar balance. It takes comparatively little in the way of economic pressure to upset this balance.

The dollars that Britain and France will need to stiffen their economies can only come from the United States. This is, in fact, true for the whole of Western Europe, because of the heavy drain on its dollar resources to pay for heavy purchases of Western Hemisphere oil while the Suez Canal is closed. The crisis at Suez has intensified the imbalance that existed previously between the economies of the United States and those of the rest of the world and, in particular, Western Europe.

This means that closing the dollar gap must depend on American aid once more. The United States government leaders who are in close touch with international matters have realized the inevitability of this. In his speech at the Automobile Manufacturers Association dinner in New York on Dec. 6, Vice-President Richard Nixon said:

". . . An immediate problem which confronts us as a result of the crisis in the Near East is the financial plight of our friends in Britain. I believe that it is in our interest as well as theirs to assist them in this hour of difficulty, and I am confident there will be strong bipartisan support in the Congress for granting such assistance."

It would be foolish indeed to suggest that the United States will **not** be required to continue to bridge the dollar gap far into the foreseeable future. Even if the other countries can climb back to their pre-Suez levels in a comparatively short time, they will have incurred a large quantity of new dollar debts in the process. In addition, they will still have to find ways to overcome the comparative advantage in international economic relationships that is peculiar to the United States.

Dodge & Cox Admit Fee to Partnership

SAN FRANCISCO, Calif. — The investment management firm of Dodge & Cox, Mills Tower, announce that Joseph M. Fee was admitted to partnership Jan. 1, 1957. Other partners of the 26-year-old firm are E. Morris Cox, Van Duyn A. Dodge and Peter Avenali.

Mr. Fee is a graduate of Yale University and the Harvard Graduate School of Business Administration. He joined Dodge & Cox in 1954.

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald B. Parrott has been added to the staff of Coburn & Middlebrook, Incorporated, 75 Federal Street.

With Hanrahan Staff

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Gilbert M. Slovin is now with Hanrahan & Co., Inc., 332 Main Street, members of the Boston Stock Exchange.

Joins Midland Securities Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Manley J. Goodspeed, Jr. has joined Midland Securities Co., Inc., 1016 Baltimore Avenue.

Delafield Transferred To First Boston, N.Y.C.

Richard M. Delafield, Vice-President of The First Boston Corporation since 1948, has been transferred from its Pittsburgh office to the principal office of the corporation in New York, 100 Broadway, according to an announcement made by James Coggeshall, Jr., President. He will be associated with the syndicate department and will be in contact with securities dealers throughout the country.

Richard M. Delafield

Having joined The First Boston Corporation in 1933, Mr. Delafield remained in the New York office until 1936, leaving for the corporation's Chicago office where he remained until the latter part of 1950. He was then transferred to First Boston's Pittsburgh office where he was in charge of sales.

New York Sec. Dealers To Hold 31st Dinner

The New York Security Dealers Association will hold its 31st Anniversary Dinner on March 1 at the Biltmore Hotel.

Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Harry Simon, Jr. has become affiliated with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.

NEW ISSUE

170,297 Shares

Continental Copper & Steel Industries, Inc.

Common Stock

(Par Value $2 per Share)

The Company is offering to the holders of its outstanding Common Stock, Rights to subscribe for additional Common Stock at $11.50 per share for 170,297 shares at the rate of one share for each ten shares held of record at the close of business on January 10, 1957. The offering to stockholders will expire at 3:30 P.M., Eastern Standard Time, on January 28, 1957.

Subscription Price $11.50 per Share

Prior to and after the expiration of the Warrants, the Underwriters may offer shares of Common Stock at the prices and pursuant to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained from the undersigned only in such States where the undersigned may legally offer these securities in compliance with the securities laws thereof.

Allen & Company

P. W. Brooks & Co. Incorporated — Bernard Aronson & Co. — Auchincloss, Parker & Redpath

Goodbody & Co. — Abraham & Co.

January 14, 1957

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Kenneth E. Black, President of The Home Insurance Company and The Home Indemnity Company, has been elected a director of **Chemical Corn Exchange Bank of New York**, it was announced on Jan. 14 by Harold H. Helm, Chairman. Mr. Black, who fills the vacancy caused by the recent death of Percy H. Johnston, is a director and officer of numerous organizations. He serves on the boards of Atlantic Coast Line RR. Co.; Beekman-Downtown Hospital; General Adjustment Bureau; Insurance Society of New York; Underwriters' Laboratories, Inc., etc. and is Vice-President of American Foreign Insurance Association Finance Corp.; Vice-Chairman of American Insurance Association; member of Atomic Energy Committee of the Insurance Group meeting with AEC, etc.

Lewis M. Heflin, President of Cone Mills, Inc., has been elected to the Advisory Board of **Chemical Corn Exchange Bank of New York** for the Lower Midtown Area of Manhattan, according to announcement by Harold H. Helm, Chairman of the bank. Mr. Heflin is a native of North Carolina. With headquarters at 1440 Broadway, New York, Cone Mills, Inc., is a wholly-owned subsidiary of Cone Mills Corp.

* * *

Wallis B. Dunckel, with **Bankers Trust Company of New York** since 1923, has joined its senior management as Administrative Vice-President, it was announced on Jan. 10, by S. Sloan Colt, Chairman of the Board. Mr. Dunckel, a leading figure in the development and adminstration of industrial pension plans, is a graduate of Yale University. He has been a Vice-President of Bankers Trust Company since 1944.

* * *

The board of directors of the **Atlantic Bank of New York**, on Jan. 10 elected James R. Brooks President of the bank. Aristotle Souval was named Chairman of the Board. Mr. Brooks was elected a director at the annual stockholders' meeting on Jan. 9. Four other directors were also elected: C. Stewart Anderson, Vice-President of Johnson & Higgins, New York City; William Bischofberger, retiring Vice-President of the **Chase Manhattan Bank**; Michael T. Courdjes, Vice-President of the **Atlantic Bank**, and C. Harry Minners, President of the **Bankers Federal Savings and Loan Association, New York City.** Mr. Brooks was Executive Director of the Foreign Trade Administration of the Greek Government from February 1952 to January 1957. He was with the General Counsel's Office of the U. S. Treasury Department from May 1943 to October 1948, and the Economic Cooperation Administration from October 1948 to February 1952. Mr. Souval has been a director of the Atlantic Bank since January 1956. He was a director of the **Hellenic Bank Trust Company, New York City**, from 1932 to 1953 and served as General Counsel and Vice-President of that bank.

* * *

John T. Madden, President of **Emigrant Industrial Savings Bank of New York**, announced on Jan. 10 that the Board of Trustees has elected John B. Baxter as a Trustee of the bank. Mr. Baxter is President of the 78-year-old textile manufacturing firm of Baxter, Kelly & Faust, Inc., whose headquarters are in New York City.

* * *

How to add 400 square feet of public floor space to a bank and enhance its beauty, without enlarging it and without interfering with any banking business, was recently demonstrated, it is indicated, in the 5 East 42nd Street office of the **Emigrant Industrial Savings Bank of New York.** In addition to providng increased operating efficiency and improved service, John T. Madden, President, sees the changes "providing for future growth to the extent of over 50,000 accounts and an additional $125 million or more in deposits." He also indicated that provision for extra hour limited banking service is inherent in the changes. The overall plan was conceived by James J. Rooney, Senior Vice-President, and was executed by the contracting firm of Robert H. Waters Co. Inc., under the personal supervision of Adolf Lancken Muller, President of Halsey, McCormack & Helmer, specialists exclusively in bank architecture. The additional floor space was obtained, Mr. Muller said, by slimming 15 columns as much as three-quarters of their original size and by relocating or combining several departments of the bank.

* * *

A course with particular reference to mutual savings bank personnel on the functions and responsibilities of the management of financial institutions is being presented again by Charles C. Joyce, Administrative Vice-President and Secretary of the **East River Savings Bank of New York,** at the School of General Studies of Fordham University, it has been announced by the Rev. Charles A. O'Neill, S. J., Dean of the School. The course will be given at Fordham's downtown City Hall Division, 302 Broadway, New York, beginning Jan. 29, at 5:15 p.m. Registration for the course will be Jan. 23-25; 28-31. No academic credit is required to attend the course, which is designed for the general public. It will include functions and responsibilities of a financial institution as well as taxation and insurance, mortgage lending, employee and public relations, board and committee meetings, etc. Mr. Joyce was previously Chief Clerk, Auditor, Comptroller, Treasurer, and Vice-President of the East River Savings Bank. In addition to his present title of Administrative Vice-President and Secretary, he is Chairman of the Personnel Committee. He was also formerly President of the Savings Banks Auditors and Comptrollers Forum and Chairman of the Committee on Administrative Procedure of the Savings Banks Association of the State of New York.

* * *

The appointment of John H. Borst as an Assistant Manager of **Manufacturers Trust Company of New York,** is announced by Horace C. Flanigan, Chairman of the Board. Mr. Borst received his Bachelor of Science degree from Hofstra College in 1950. The same year he joined Manufacturers Trust Company's advertising and publicity department. He attended the Bankers School of Public Relations conducted by the N. Y. State Bankers Association at Syracuse University and at present is attending the Graduate School of Business Administration at N. Y. University. Prior to joining the bank, Mr. Borst was affiliated with the New York "Staats-Zeitung," German language daily newspaper.

* * *

The election of Joseph T. Sandleitner as a Vice-President of the **Federation Bank and Trust Company, New York** was announced today by Thomas J. Shanahan, President. Mr. Sandleitner, who has been associated with Federation Bank since 1938, is active as a loan officer and in new business development for the bank.

Mr. Shanahan also announced the additional executive changes: Robert E. Rosenberg, Vice-President, was elected Vice-President and Secretary; George K. Kern, the bank's auditor, was elected an Assistant Vice-President, and Thomas Purcell was named as Trust Officer.

* * *

UNDERWRITERS TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 30, '56
Total resources	$41,842,729	$40,931,327
Deposits	38,154,522	36,912,879
Cash and due from banks	6,913,568	5,831,789
U. S. Govt. security holdings	13,746,964	17,446,074
Loans & discounts	17,898,228	13,624,243
Undivided profits	1,435,928	1,422,261

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 26, '56
Total resources	$3,424,602	$3,553,910
Deposits	321,349	312,015
Cash and due from banks	1,719,002	2,032,310
U. S. Govt. security holdings	431,278	431,288
Undivided profits	416,347	516,103

* * *

At the annual meeting of the stockholders of the **Kings County Trust Company of Brooklyn, N. Y.,** held on Jan. 14, the following trustees were re-elected: Chester A. Allen, President of the Trust Company; Hunter L. Delatour, a member of the law firm of Delatour & Miller; Richard S. Maynard, partner in the New York Stock Exchange firm of Stillman, Maynard & Co.; Michael C. O'Brien, President of M. C. O'Brien, Inc., Realtors. Kenneth C. Richmond has been elected to fill the vacancy created by the retirement of Robert E. Blum, who will devote himself to public service activities. Mr. Richmond is Vice-President and Treasurer of Abraham & Straus, Chairman of the Board of the New York State Council of Retail Merchants, etc. The stockholders authorized an increase of 11,000 shares of capital stock and payment of a 10% stock dividend on the present 110,000 shares.

* * *

Chester A. Allen, President of **Kings County Trust Company, Brooklyn, N. Y.** announced the election of William J. Ahern and Harold W. Schaefer as Vice-Presidents. Mr. Schaefer, who has been with the bank for 30 years, will continue to serve as Secretary. C. A. Richard Loader was elected as Assistant Secretary.

Mr. Ahern joined the Bank in an advisory capacity in March, 1956. He was formerly Vice-President of the **Bank of the Manhattan Company,** in charge of the Brooklyn Division. More recently, he served as President of the **American Trust Company of New York.**

Mr. Loader has been with Kings County Trust Company for many years, chiefly in the Securities and Loan Department.

* * *

THE MEADOW BROOK NATIONAL BANK OF FREEPORT, NEW YORK

	Dec. 31,'56	Dec. 31,'55
	$	$
Total resources	289,325,666	259,721,000
Deposits	263,701,803	239,162,000
Cash and due from banks	32,737,053	28,487,000
U. S. Govt. security holdings	75,496,064	81,888,000
Loans & discounts	160,628,538	129,410,000
Undivided profits	2,537,823	1,760,000

* * *

Sidney Friedman, partner in the New York firm of Cole, Grimes, Friedman & Dietz, was elected a director of the **Meadow Brook National Bank of West Hempstead, N. Y.,** at the annual stockholders meeting held on Jan. 8. In making the announcement, Augustus B. Weller, President of the bank said that, "for the past 22 years, Mr. Friedman and his firm have served the bank as its general counsel, guiding its entry into many new forms of customer service. We know that in this even closer relationship he will be greatly helpful as we continue our efforts toward expanded customer and community service." At a meeting Jan. 8 in the West Hempstead office of the bank, President Weller told the stockholders that 1956 had been a "year of substantial growth and development" for the bank.

* * *

Harold J. Marshall, President of **National Bank of Westchester at New Rochelle, N. Y.,** has announced the election of William J. Gmelin as an Assistant Vice-President and Trust Officer of the bank. Mr. Gmelin's election took place at the regular meeting of the Board of Directors on Jan. 10. He has been associated with the bank since December of last year. For many years associated with the Trust Department of the **Chase Manhattan Bank in New York City,** Mr. Gmelin has specialized in operational and administrative work in that department. He re-

Continued on page 22

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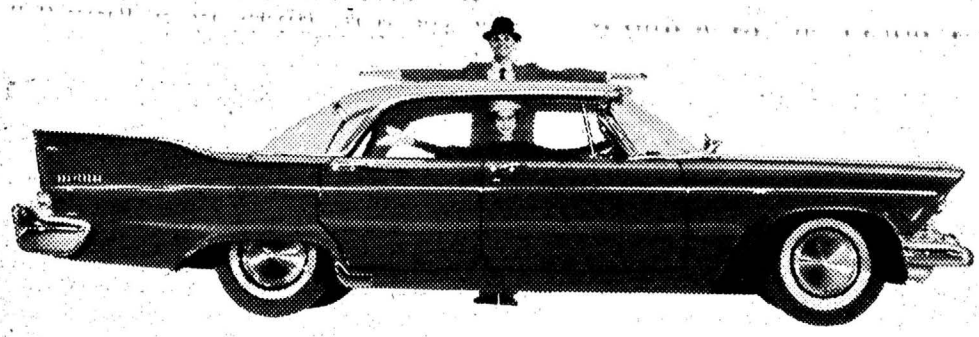
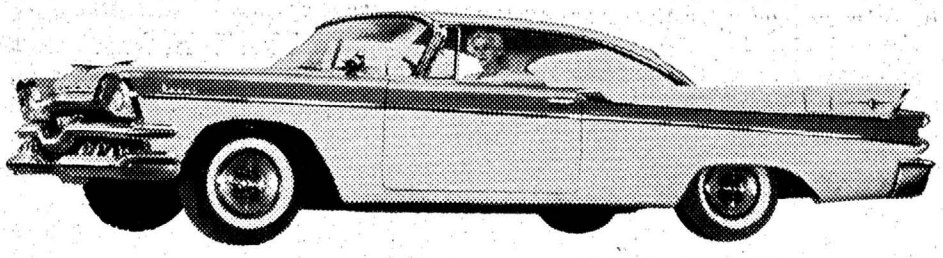
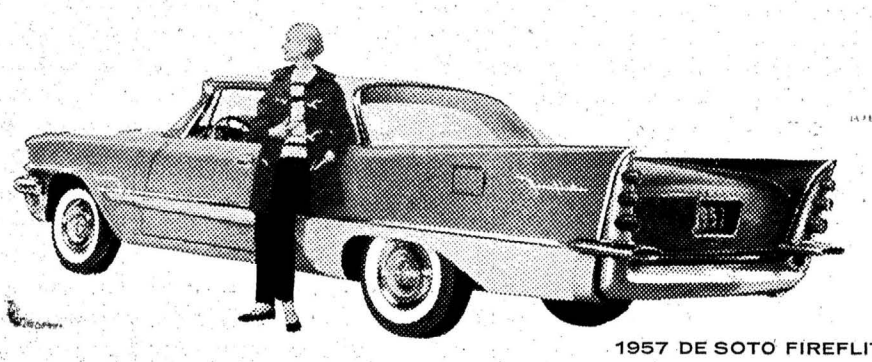


1957 PLYMOUTH BELVEDERE Four-door Sport Sedan

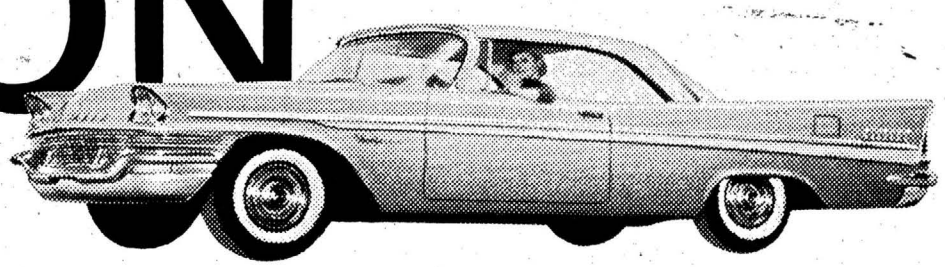
THE NEW SHAPE OF MOTION



1957 DODGE ROYAL Lancer Two-door

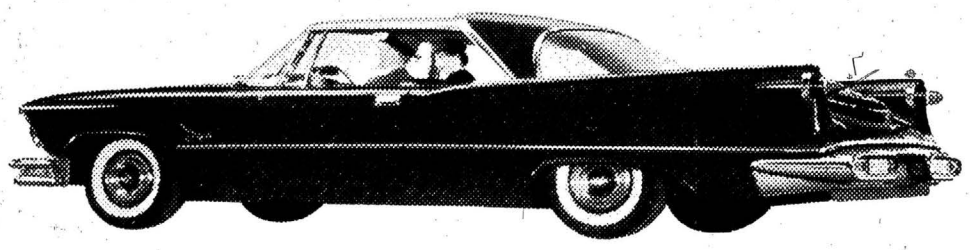


1957 DE SOTO FIREFLITE Two-door Sportsman



1957 CHRYSLER NEW YORKER Two-door hardtop

See for yourself how the year's most dramatically beautiful styling . . . on Plymouth, Dodge, De Soto, Chrysler and Imperial is new evidence of leadership from



1957 IMPERIAL CROWN Two-door Southhampton

CHRYSLER CORPORATION THE *FORWARD* LOOK

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Continued from page 20

News About Banks and Bankers

tired recently as Personal Trust Officer of **Chase Manhattan.**

* * *

Representing a conversion of the **Granite Trust Company of Quincy, Mass.,** a charter has been issued as of Dec. 12 by the U. S. Comptroller of the Currency for the **Granite National Bank of Quincy,** with a capital of $1,000,000, and surplus of $2,299,299.87. The change was scheduled to take effect with the opening of business on Dec. 12.

* * *

A profit sharing payment of 10.2% of their 1956 salaries has been paid to the staff of the **Worcester County Trust Company of Worcester, Mass.,** according to an announcement by Edward L. Clifford, President. The profit sharing distribution is made each year in the middle of January to all employees who have completed two full years of service. This year, 300 individuals participated compared with 292 a year ago. Last year's payment amounted to 8.3% of annual salaries. Worcester County Trust's Profit Sharing Plan has been in operation for three years. According to the terms of the plan, one-half is distributed in cash and the other half is placed in a trust fund administered by the bank's Trust Department.

* * *

At the organization meeting of the board of directors of **National State Bank of Newark, N. J.,** held on Jan. 10, the following appointments were made: Frederick J. Kugelmann was appointed Senior Vice-President and William H. Keith and M. Wilfred Rice were named Executive Vice-Presidents. Mr. Kugelmann began his banking career in Newark in 1911 and this year marks his 25th anniversary with the bank. Mr. Rice began working for National State Bank at the age of 17 and has just completed 30 years of service with that institution. He has been a senior officer of the bank for many years. Mr. Keith came to the bank in 1940. In recent years he has been a senior credit officer with the bank.

The following were at the same time named Assistant Cashiers of the bank: Roger R. Rhodes came with the bank in 1936; Karl R. Farnow started with National State in 1946; Carmen N. Panciello, began his banking career in 1926 with the old Merchants and Manufacturers National Bank; John P. Williams, came to National State through the acquisition of Lincoln National Bank in 1955; Howard W. Apgar, was named Vice-President in charge of the bank's West Essex-Caldwell Office in Caldwell, N. J.; John S. Throckmorton was named Vice-President and William J. MacCallum was named Assistant Cashier. Messrs. Apgar Throckmorton and MacCallum were former officers of the **Citizens National Bank & Trust Company of Caldwell** and will continue to be located at the West Essex-Caldwell Office of National State Bank.

* * *

At a meeting of the Directors of **The First National Bank of Toms River, N. J.,** on Jan. 8, the following promotions were made: George Guion Pike was elected an Assistant Vice-President. He entered the employ of The First National Bank of Toms River, N. J. as a messanger in 1916 and has since been continuously in the employ in the bank. He has filled various positions from messenger to clerk, teller, Head Teller, and Assistant Cashier. Gordon B. Mink was elected an Assistant Vice-President. He became a member of The First National Bank organization at the time of the consolidation of the **Ocean County Trust Company** and **The First National Bank of Toms River, N. J.** in 1944. Mr. Mink was formerly Assistant Cashier and Manager of the Ocean Beach Branch, and he is now an Assistant Vice-President and Manager of that branch.

At the Jan. 8 annual meeting also of the shareholders of The First National Bank of Toms River, the shareholders voted to reduce the par value of the shares of common capital stock from $10 to $5 each by the issuance of two shares of $5 par value for each share of $10 par value outstanding. The shareholders also voted to increase the capital stock of the bank from $900,000 to $930,000. The $30,000 to be paid to the shareholders as a stock dividend on the basis of one share of stock for each 30 shares held. The stock dividend becomes effective as of Jan. 31, 1957 subject to the approval of the Comptroller of the Currency. After the increase in the capital by the stock dividend the capital structure of the bank will then consist of 186,000 shares of $5 par value totaling $930,000 and the surplus is simultaneously being increased from $1,800,000 to $1,850,000; the undivided profits and reserves for bad debts will amount to $750,153.58, a toal capital, surplus, undivided profits and reserves for bad debts of $3,630,153.58.

* * *

The boards of directors of **Tradesmens Bank and Trust Company** and **Provident Trust Company of Philadelphia** on Jan. 10 approved plans to merge the two institutions. The merger will be subject to the approval of stockholders of each company and of the necessary regulatory authorities. Each Provident shareholder will receive one and one-fourth shares of the combined company and each Tradesmens shareholder will receive one share of the combined company. This allocation of shares, it is stated, is in substantially the same ratio as the asset value of the shares of each institution on Dec. 31. Consideration is being given to their respective adjusted book values based on present day appraisals. The comparative 1956 earnings per share of the two institutions are also in substantially the same ratio as the allocation of shares. The name of the combined company will be **Provident Tradesmens Bank and Trust Company** and the main office will be at Broad and Chestnut Streets.

Principal officers of the combined company will be: James M. Large, Chairman of the Board; William R. K. Mitchell, Vice-Chairman of the Board and Chairman of the Executive Committee; Benjamin F. Sawin, President; and Warren H. Woodring, Executive Vice-President. The merger will give the new bank 18 offices in Philadelphia, Delaware and Montgomery Counties. Based on Dec. 31 figures, the merger of the two institutions, it is stated, would result in total resources of $527,189,000, deposits of $465,018,000; and capital funds of $53,571,000, represented by capital and surplus of $43,789,100 and undivided profits of $9,782,000. This would give the new institution a greater lending limit of about $4,400,000. The combined bank will be the fourth largest, it is stated, in Philadelphia and the sixth largest in Pennsylvania. The new trust department will show personal trust assets over $1,000,000,000 at market values. When and if the merger is declared effective, it is estimated that regular dividends on the stock of the new bank will be declared initially at the annual rate of $2.32 per share.

* * *

The Second National Bank of Philadelphia has appointed Reginald J. Doherty to its board of directors. Mr. Doherty is General Manager of Sears, Roebuck and Co. Philadelphia retail stores. He previously served as Retail Field Manager covering five states surrounding Pennsylvania. He has been associated with Sears, Roebuck for over 16 years and is identified with other business interests. It is also announced that Lawrence C. Kline has been elected to the Board of Directors at **Second National Bank.** Mr. Kline is President of William Penn Laundry, Inc., as well as Kline's Coat, Apron & Towel Service and is Vice-President and a member of the Executive Committee and board of directors of the Linen Supply Association.

* * *

BROOKLINE SAVINGS AND TRUST COMPANY, PITTSBURGH, PA.

	Dec. 31, '56	Dec. 31, '55
Total resources	$27,330,859	$24,470,381
Deposits	23,474,093	21,054,437
Cash and due from banks	2,688,893	2,571,654
U. S. Govt. security holdings	4,675,447	4,391,773
Loans & discounts	15,773,816	13,672,698
Undivided profits	408,973	281,277

* * *

The Union Bank of Commerce Company of Cleveland, Ohio, is becoming, simply, the **Union Commerce Bank.** Stockholders of the Cleveland banking institution so voted at their annual meeting on Jan. 9, at which they re-elected the 21 directors for the customary one-year terms. Chairman John K. Thompson told shareholders that modification of the name "is in the interest of simplicity, which is desirable in view of the broadening of the base of the bank." The Union Commerce, exclusively a commercial bank for many years after its formation in 1938, offers a complete range of banking services, and is expanding its activities to include branch banking offices in all principal sections of Greater Cleveland. By another action taken Jan. 9, stockholders authorized holding their annual meeting in the future on the third Thursday, instead of the second Wednesday, of January. This will give the bank's staff more time to prepare for use at the meeting, material concerning results of the year just ended. Stockholders also approved minor changes in the bank's code of regulations. The effect, Mr. Thompson reported, is "to conform to recent changes" in Ohio statutory law; to eliminate obsolete provisions in the bank's regulations; to provide for "indemnification of directors, officers and others under circumstances permitted by a 1955 amendment of the Onio corporation law"; and to facilitate generally the bank's corporate procedure. After the stockholders' session, held at the bank's main office at Euclid and East Ninth, Union Commerce directors scheduled their annual organizational meeting, for customary re-election of the bank's officers.

* * *

At a meeting on Jan. 10, the directors of **Central National Bank of Cleveland, Ohio,** approved a recommendation to sell 125,000 additional shares of capital stock as announced by President Loring L. Gelbach. The plan is subject to approval by the shareholders of the bank at the annual meeting on Jan. 22. The sale of the additional shares, plus transfers from undivided profits, will increase combined capital and surplus by $5,000,000. The increase in capital stock will be $2,000,000 resulting from the sale of 125,000 shares with a par value of $16. Additional proceeds from the sale of the stock, together with transfers from undivided profits, will increase surplus by $3,000,000. Combined capital and surplus will advance from $30,000,000 to $35,000,000 and the legal lending limit to any one customer will increase to $3,500,000. The subscription price of the new stock will be set at the annual meeting. Under the plan shareholders will have the right to subscribe for new shares in the ratio of one snare for each seven shares held as of Jan. 16. Arrangements nave been made with a group of underwriters, headed by McDonald & Company of Cleveland, to purchase any unsubscribed shares at the established price. New records, it is stated, were established by the bank last year with total assets reaching a peak of $577,584,050 on Dec. 31 and net earnings advancing to $3.50 per share from $2.85 in 1955, an increase of 22% The board of directors the currency month, viz on Jan. 10, declared a quarterly dividend of 45 cents on the shares presently outstanding, payable Feb. 1, to holders of record Jan. 16 It is expected, subject to future earnings, that dividends will be continued on the increased number of shares at not less than the current rate.

* * *

The Huntington National Bank of Columbus, Ohio, offered on Jan. 9 to the holders of its common capital stock rights to sub-

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scribe for an additional 50,000 shares of its $20 par value common capital stock at a price of $40 per share. Shareholders of record on Jan. 8 will be permitted to subscribe for one new share for each four shares held, with subscription warrants expiring on Jan. 23. The offering is underwritten by an investment group headed by Paine, Webber, Jackson & Curtis. Upon completion of the offering, an additional 50,000 common capital shares will be distributed to shareholders on the basis of one new share for each five shares held, in effect, a 20% stock dividend. Capitalization of the bank on Dec. 31, last, adjusted to reflect the subscription offering and stock dividend, consists of: 300,000 shares of $20 par common capital stock; surplus, $7,000,000; undivided profits, $1,123,459. Huntington National Bank which was formed as a partnership in 1866, was incorporated in 1905 and granted a national charter in that year under the present name. Dividends have been paid on the bank's stock in each of the past 44 years. The current quarterly rate is 45 cents per share, indicating an annual rate of $1.80. The 100,000 new shares of stock will participate in dividends to be paid in April, July and October of this year.

* * *

THE DOLLAR SAVINGS AND TRUST COMPANY, YOUNGSTOWN, OHIO

	Dec. 31, '56	Dec. 30, '55
	$	$
Total resources	110,231,831	103,579,890
Deposits	103,411,061	97,392,872
Cash and due from banks	18,875,625	17,179,173
U. S. Govt. security holdings	48,561,593	51,316,322
Loans & discounts	38,145,356	32,211,445
Undivided profits	1,130,849	975,912

AMERICAN TRUST COMPANY, SOUTH BEND, INDIANA

	Dec. 31, '56	Dec. 31, '55
Total resources	$26,308,260	$25,494,580
Deposits	24,267,097	23,590,288
Cash and due from banks	6,341,419	5,709,014
U. S. Govt. security holdings	9,716,246	10,096,276
Loans & discounts	9,234,092	8,914,146
Undivided profits	476,645	390,071

* * *

A new incentive savings plan—which it is indicated, doubles a depositor's balance for survivors—was inaugurated by the **Merchandise National Bank of Chicago**, on Dec. 19, President Kenneth K. Du Vall announced. The "Double Dollar" program, now available, it is stated, in Chicago only at the Merchandise National, provides life insurance equal to the amount of money in the account, Mr. Du Vall explained. Every dollar saved, plus interest paid, up to $2,500 will be matched with an additional dollar upon the death of the "Double Dollar" saver. Survivors would receive $600 if the account amounted to $300 in savings and interest, and $5,000 if the account contained a balance of $2,500. Anyone under 55 years of age may open a "Double Dollar" account for as little as $5 without a physical examination, Mr. Du Vall said. The "Double Dollar" feature remains in effect until the saver reaches the age of 55, when he may convert to ordinary life insurance without a medical examination if his insurance amounts to $500 or more.

At the meeting of the board of directors of **The First National Bank of Chicago** held Jan. 8, following the annual meeting of stockholders, announcement was made by Homer J. Livingston, President, of promotions in the official staff and election of new officers. Robert L. Heymann, attached to Division B in the Commercial Department, and P. Alden Bergquist, of the Bond Department, Assistant Vice-Presidents, were elected Vice-Presidents.

Promoted to Assistant Vice-Presidents were: A. Burnham Converse, William T. Dwyer, Alvin C. Johnson, William J. Korsvik, Nelson L. Kramer, Edgar M. McKinstery, Paul H. Miller and James Thomson, Jr., from Assistant Cashiers; Gordon T. Shearer and H. Richard Wilking, from Trust Officers. August J. Hurt, Jr., John R. Magill, Jr. and Graydon C. Nauman, Assistant Secretaries, and Waid R. Vanderpoel, Assistant Trust Officer, were elected Trust Officers, and J. Carl Sommer, Assistant Auditor, was elected Auditor.

The staff of the bank was augmented by the election of 18 new officers. Newly elected were: Assistant Cashiers—John A. Anderlik, Raymond V. Dieball, R. Garth Dunn, Jr., Alexander H. Glover, Leo T. Hogan, James A. Hurley, Charles B. Nevins, Tom M. Plank, Clarke C. Stayman, Jr., James G. Sutton, Howard L. Visteen and William E. Vojta; Assistant Trust Officers — Howard B. Bouton, Joseph J. LaRocco and Olin McReynolds; Assistant Attorney — Robert G. Appel; and Assistant Auditors—Robert V. Gnapp and Roy E. Johnson.

Paul H. Miller, Assistant Vice-President, will be in charge of the Women's Banking Department, succeeding Vernard S. Higby who retired on pension at the year end.

* * *

An increase of $300,000 in the capital of the **Central National Bank in Chicago, Ill.**, effective Dec. 21, by the sale of that amount of new stock, has brought the capital up to $2,300,000 from $2,000,000.

* * *

At the annual meeting of **La Salle National Bank of Chicago**, stockholders on Jan. 8, Marvin Chandler, President and Chief Executive Officer of Northern Illinois Gas Co. of Aurora, Ill., was elected a director. All former directors, other than Willis Gale, were re-elected. Mr. Chandler was elected President of Northern Illinois Gas Co.in November 1954. Prior to his association with that company, Mr. Chandler was Vice-President of Reis & Chandler, Inc., New York City. He is a former President of the New York Society of Security Analysts and a former Vice-President of the National Federation of Financial Analyst Societies.

* * *

CONTINENTAL ILLINOIS NAT'L BANK & TRUST COMPANY, CHICAGO, ILL.

	Dec. 31, '56	June 30, '56
	$	$
Total resources	2,769,263,134	2,622,954,574
Deposits	2,496,971,565	2,359,987,256
Cash and due from banks	671,049,561	641,420,017
U. S. Govt. security holdgs.	731,057,258	717,737,568
Loans & discts.	1,166,841,545	1,055,740,479
Undiv. profits	21,117,750	13,056,756

* * *

Two veteran officers of **First National Bank in St. Louis** retired on Jan. 1, under the bank's pension plan after a total of 88 years of service according to William A. McDonnell, President. The two

Continued on page 24

Kidder, Peabody Admits 3 General Partners

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange and other principal stock exchanges, has admitted three new general partners to the firm, it was announced on January 15. They are: William N. Loverd, Henry W. Spencer and Frank E. Voysey.

William N. Loverd

Henry W. Spencer

Frank Voysey

Mr. Loverd, located in the firm's New York City office, has been with Kidder, Peabody since 1932 and has been controller since 1947. He is a member of the accounting division of the New York Stock Exchange.

Mr. Spencer, of Kidder, Peabody's Boston office, has been with the firm since 1930.

Mr. Voysey, of the firm's Chicago office, joined Kidder, Peabody in the Boston office in 1932. In 1950 he left Boston to become sales manager of the Chicago office.

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News About Banks and Bankers

are: Irving W. Lonergan, Cashier, who has been with First National and its predecessor institution, the St. Louis Union Bank, since 1914; and Leo F. Ryan, Assistant Cashier and Manager of the savings department, who joined the St. Louis Union Bank in 1910 as a bookkeeper. Mr. Lonergan began his banking career as a messenger with the old **National Bank of Commerce** in 1906. During the next six years he held positions with William R. Compton, and the old **Mercantile National Bank.** In the meantime, he studied law and in 1914, was admitted to the bar. The same year, he joined the St. Louis Union Bank which was merged into First National Bank in 1919. He served as manager of First National's foreign department for 22 years and was elected cashier of the bank in 1949. He is a Past President of the St. Louis Chapter of the American Institute of Banking, etc. Mr. Ryan started his career in 1910 in the St. Louis Union Bank and, a year later was serving in the savings department; in October, 1952, he was made Assistant Cashier and Manager of the department. Mr. Ryan served two years, 1929-1930, as President of the First National Bank Club. He has held numerous positions in the American Institute of Banking and is Past Preident of the Savings Association of St. Louis Banks.

BANK OF THE COMMONWEALTH, DETROIT, MICH.

	Dec. 31,'56	Dec. 31,'55
	$	$
Total resources	351,599,638	347,251,848
Deposits	326,754,201	324,281,581
Cash and due from banks	57,154,294	63,086,672
U. S. Govt. security holdings	170,217,434	180,485,106
Loans & discounts	103,254,137	83,450,455
Undivided profits	4,754,588	5,294,155

* * *

NATIONAL BANK OF DETROIT, MICH.

	June 30, '56	Dec. 31, '55
	$	$
Total resources	1,912,304,567	2,014,708,521
Deposits	1,750,250,647	1,880,286,872
Cash and due from banks	404,805,825	501,639,555
U. S. Govt. security holdgs.	669,090,366	752,785,314
Loans & discts.	685,293,711	619,825,667
Undivid. profits	18,022,978	14,861,693

* * *

NATIONAL BANK OF DETROIT, MICH.

	Dec. 31, '56	June 30, '56
	$	$
Total resources	2,008,624,029	1,912,304,567
Deposits	1,854,252,502	1,750,250,647
Cash and due from banks	417,375,487	404,805,825
U. S. Govt. security holdgs.	698,873,563	669,090,366
Loans & discts.	722,286,016	685,293,711
Undivid. profits	16,134,476	18,022,978

* * *

Joseph H. Bascom and John R. Caulk, Jr., were elected to the board of directors of the **St. Louis Union Trust Company of St. Louis, Mo.,** at the annual meeting of stockholders on Jan. 10, according to an announcement by David R. Calhoun, Jr., President of the company. Mr. Bascom, the third generation in his family to serve on the board, succeeds his father, the late Charles E. Bascom, Board Chairman of Broderick & Bascom Rope Co. in St. Louis. His grandfather, Joseph D. Bascom, was elected to the board of directors in 1905. Joseph H. Bascom has been associated with the firm since 1940. Mr. Caulk is Executive Vice-President of the Hussmann Refrigerator Co. in St. Louis. A graduate of Princeton University in 1935, he has been affiliated wtih the Hussmann organization since 1937.

* * *

CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KENTUCKY

	Dec. 31, '56	Dec. 31, '55
	$	$
Total resources	271,348,721	263,837,438
Deposits	250,953,253	244,716,770
Cash and due from banks	84,943,495	85,619,077
U. S. Govt. security holdings	65,124,354	62,841,116
Loans & discounts	110,612,865	102,247,177
Undivided profits	1,450,582	1,586,613

* * *

THE SECOND NATIONAL BANK, ASHLAND, KENTUCKY

	Dec. 31, '56	Dec. 30, '55
Total resources	$34,648,823	$33,860,292
Deposits	32,087,129	32,131,687
Cash and due from banks	8,715,693	7,780,021
U. S. Govt. security holdings	9,969,160	12,489,004
Loans & discounts	11,833,616	9,513,926
Undivided profits	324,051	391,336

* * *

As a result of the sale of $200,000 of new stock the **Union National Bank of Charlotte, N. C.** has increased its capital from $1,000,000 to $1,200,000 effective Dec. 21.

* * *

Dr. Coleman Carter, Jr. was elected a Director of **The Fort Worth National Bank of Fort Worth, Texas,** at the annual stockholders meeting. At the first meeting of the year of the bank's board of directors, nine officers and three employees were promoted, according to Estil Vance, President. M. F. Markward, Comptroller, was elected Vice-President; R. L. Cotton, Assistant Vice-President, was promoted to Cashier; Volney C. Castles, Assistant Vice-President, was elevated to Comptroller; Tom B. Miller, former Cashier, was made Auditor; and Sam P. Beaty, Assistant Trust Officer, was elected Trust Officer. Harvey G. Brooks, Joe B. Cooper, Jr., and R. W. McKithan, Assistant Cashiers, were appointed Assistant Vice-Presidents; and John G. Richards, Petroleum Engineer in the Oil Loan Division, was made Assistant Vice-President and Petroleum Engineer. Gordon Scarborough was appointed Trust Auditor, and Luther E. Ballengee and Marion H. Elliott was appointed Assistant Cashiers.

* * *

The City National Bank in Wichita Falls, Texas, reported a capital as of Dec. 20 of $1,500,000 increased from $1,265,000. Part of the increase — $126,500 — resulted from a stock dividend of that amount while the further increase of $108,500 was yielded by the sale of new stock.

* * *

Frank L. King, President of **California Bank of Los Angeles, Cal.,** has announced the mergers of **The Commercial National Bank of Santa Ana,** and the **Antelope Valley Bank of Lancaster, Cal.,** with California Bank. The two mergers were approved by shareholders of the three banks and became effective at the close of business Jan. 11, Mr. King stated. A. C. Hasenjaeger, President and Lee J. Hasenjaeger, Executive Vice-President of The Commercial National Bank of Santa Ana, and Harry C. Gauger, President of the Antelope Valley Bank, have been named Vice-Presidents of the Los Angeles bank. The addition of The Commercial National Bank, with three offices in Santa Ana, and the Antelope Valley Bank, brings the total number of California Bank offices to 58. An item bearing on one of the mergers appeared in our issue of Nov. 22, page 2201.

Canadian Economic Growth Depends Upon Sound Currency

By GORDON R. BALL*
President, Bank of Montreal

Leading Canadian banker envisions a possible real national production in 1980 that "may well stagger the imagination" providing the emergence of inflation from a potential threat to reality, though still in its initial stage and far from rampant, is resisted resolutely and vigorously. Steps pursued by the central bank and by chartered banks are recounted by Mr. Ball in pointing out that though there is no single source from which inflation could be said to spring, nor any single means of effectively quelling it, there is the key weapon of monetary policy which should be used to preserve the purchasing power of the dollar.

The year just closed has been a highly eventful one, witnessing, as it has, changes in the Canadian business scene and in the banking field for which it is hard to find precedents.

Gordon Reginald Ball

The country's total output of goods and services, which is nowadays simply referred to and familiarly known as the gross national product, has continued to climb at a steep slope and may well approach $30 billion in 1956 as a whole to set a new record at least 10% above 1955 This is a rate of expansion, for the second year running, that is high by Canadian historical standards, and considerably more rapid than has been experienced in the United States in the two-year period.

Heavier spending on all fronts —by public bodies and by private industries and individuals, for capital equipment and consumer goods, with strong demand from export no less than from domestic markets—has contributed to these remarkable gains, and all regions and occupations have shared generally in this expansion. In particular, the agricultural community has enjoyed a long-awaited improvement. Corporate earnings have been enhanced and rising wage and salary rates have combined with expanding employment to carry the flow of personal income to new highwater marks. Yet despite a reduction in unemployment to very low levels and an unusually large number of new entrants into the labor force, there are many areas in which there are more jobs than people to fill them.

It is clear from these and other signs that, in most fields of activity, the Canadian economy has for some time been operating full out and under stress. To some extent the pressure created by demand in excess of domestic output has been relieved by a swelling volume of imports, many of which have been destined for the numerous projects of a capital nature. In outrunning even the substantial increase in exports, the rise in imports has produced a deficit in Canada's international trade larger than any heretofore recorded. The exchange value of the Canadian dollar, however, far from being depressed by the trade deficit, has been kept at a premium over the U. S. dollar by the strong inflow of foreign capital funds participating in Canadian investment opportunities.

Emergent Inflation

Yet even with imports heavily augmenting the solid gains achieved in Canadian output, the available supply of goods and services has fallen short of satisfying the avid appetite of this growing economy of ours. The result — an inevitable result of such conditions — has been that prices are being bid up and, in contrast to 1955 when the rise of national product in dollar terms reflected a corresponding expansion of physical output, a considerable part of last year's increase in dollar value has represented the shadow of inflation rather than the substance of real growth.

More detailed evidence of this emergent inflation can be seen in the official price indices. After remaining virtually stable for several years, the general level of wholesale prices has risen by about 3% in the past 12 months and the consumer price index has followed suit with an equivalent rise in the past seven months. Not all aspects of these trends have been unwelcome. An important contributing factor to the general upturn of prices has been the strength in farm prices, which have recovered part of the decline suffered over the preceding four years. But there are indications of advances in prices of some raw materials that have yet to work their way through to the prices of final products. There have also been pronounced increases in construction and equipment costs re-

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*An address by Mr. Ball to stockholders at the 139th Annual Meeting in Montreal, Canada.

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Text of President Eisenhower's State of the Union Message

In document read personally before joint session of Congress, Mr. Eisenhower emphasizes inflationary aspects of nation's economy and urges enactment of proposal designed to thwart Soviet control of Middle East countries. Urges passage of Administration's school aid program, and recommends study of nation's monetary and credit mechanism.

President Eisenhower delivered his State of the Union Message before a joint session of Congress on Jan. 10, the burden of which was given over to a generalized discussion of problems confronting the nation, rather than to spelling out a specific program for the consideration of Congress. The Administration's aims and objectives will be contained in subsequent messages to the lawmakers.

Pres. Eisenhower

In his address, the President stressed the necessity for labor, business and government to join together in combatting the inflation peril and reiterated the need for implementing the Eisenhower Doctrine for protecting Middle East countries from Soviet aggression. Mr. Eisenhower renewed his plea for enactment of a Federal school aid and civil rights program.

The President's message in full text follows:

I appear before the Congress today to report on the State of the Union and the relationships of the Union to the other nations of the world. I come here, firmly convinced that at no time in the history of the Republic have circumstances more emphatically underscored the need, in all echelons of government, for vision and wisdom and resolution.

You meet in a season of stress that is testing the fitness of political systems and the validity of political philosophies. Each stress stems in part from causes peculiar to itself. But every stress is a reflection of a universal phenomenon.

In the world today, the surging and understandable tide of nationalism is marked by widespread revulsion and revolt against tyranny, injustice, inequality and poverty. As individuals, joined in a common hunger for freedom, men and women and even children pit their spirit against guns and tanks. On a larger scale, in an ever more persistent search for the self-respect of authentic sovereignty and the economic base on which national independence must rest, peoples sever old ties; seek new alliances; experiment—sometimes dangerously — in their struggle to satisfy these human aspirations.

Particularly, in the past year, this tide has changed the pattern of attitudes and thinking among millions. The changes already accomplished foreshadow a world transformed by the spirit of freedom. This is no faint and pious hope. The forces now at work in the minds and hearts of men will not be spent through many years. In the main, today's expressions of nationalism are, in spirit, echoes of our forefathers' struggle for independence.

This Republic cannot be aloof to these events heralding a new epoch in the affairs of mankind.

Our pledged word, our enlightened self-interest, our character as a nation commit us to a high role in world affairs: a role of vigorous leadership, ready strength, sympathetic understanding.

The State of the Union, at the opening of the 85th Congress continues to vindicate the wisdom of the principles on which this Republic is founded. Proclaimed in the Constitution of the Nation and in many of our historic documents, and founded in devout religious convictions, these principles enunciate:

A vigilant regard for human liberty.

A wise concern for human welfare.

A ceaseless effort for human progress.

Fidelity to these principles, in our relations with other peoples, has won us new friendships and has increased our opportunity for service within the family of nations. The appeal of these principles is universal, lighting fires in the souls of men everywhere. We shall continue to uphold them, against those who deny them and in counselling with our friends.

At home, the application of these principles to the complex problems of our national life has brought us to an unprecedented peak in our economic prosperity and has exemplified in our way of life the enduring human values of mind and spirit.

Through the past four years these principles have guided the legislative programs submitted by the Administration to the Congress. As we attempt to apply them to current events, domestic and foreign, we must take into account the complex entity that is the United States of America; what endangers it; what can improve it.

A Strong Economy

The visible structure is our American economy itself. After more than a century and a half of constant expansion, it is still rich in a wide variety of natural resources. It is first among nations in its people's mastery of industrial skills. It is productive beyond our own needs of many foodstuffs and industrial products. It is rewarding to all our citizens in opportunity to earn and to advance in self-realization and in self-expression. It is fortunate in its wealth of educational and cultural and religious centers. It is vigorously dynamic in the limitless initiative and willingness to venture that characterize free enterprise. It is productive of a widely shared prosperity.

Our economy is strong, expanding and fundamentally sound. But in any realistic appraisal, even the optimistic analyst will realize that in a prosperous period the principal threat to efficient functioning of a free enterprise system is inflation. We look back on four years of prosperous activities during which prices, the cost of living, have been relatively stable—that is, inflation has been held in check. But it is clear that the danger is always present, particularly if the government might become profligate in its expenditures or private groups might ignore all the possible results on our economy of unwise struggles for immediate gain.

This danger requires a firm resolution that the Federal Government shall utilize only a prudent share of the Nation's resources, that it shall live within its means, carefully measuring against need alternative proposals for expenditures.

Through the next four years, I shall continue to insist that the executive departments and agencies of government search out additional ways to save money and manpower. I urge that the Congress be equally watchful in this matter.

Guard Dollar's Integrity

We pledged the Government's share in guarding the integrity of the dollar. But the Government's efforts cannot be the entire campaign against inflation, the thief that can rob the individual of the value of the pension and social security he has earned during his productive life. For success, Government's efforts must be paralleled by the attitudes and actions of individual citizens.

I have often spoken of the purpose of this Administration to serve the national interest of 170 million people. The national interest must take precedence over temporary advantages which may be secured by particplar groups at the expense of all the people.

In this regard I urge leaders in business and in labor to think well on their responsibility to the American people. With all elements of our society, they owe the Nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy operating at today's high levels. They can powerfully help counteract or accentuate such tendencies by their wage and price policies.

Business in its pricing policies should avoid unnecessary price increases especially at a time like the present when demand in so many areas presses hard on short supplies. A reasonable profit is essential to the new investments that provide more jobs in an expanding economy. But business leaders must, in the national interest, studiously avoid those price rises that are possible only because of vital or unusual needs of the whole nation.

Wages and Productivity

If our economy is to remain healthy, increases in wages and other labor benefits, negotiated by labor and management must be reasonably related to improvements in productivity. Such increases are beneficial, for they provide wage earners with greater purchasing power. Except where necessary to correct obvious injustices, wage increases that outrun productivity, however, are an inflationary factor. They make for higher prices for the public generally and impose a particular hardship on those whose welfare depends on the purchasing power of retirement income and savings. Wage negotiations should also take cognizance of the right of the public generally to share in the benefits of improvements in technology.

Freedom has been defined as the opportunity for self-discipline. This definition has a special application to the areas of wage and price policy in a free economy. Should we persistently fail to discipline ourselves, eventually there will be increasing pressure on government to redress the failure. By that process freedom will step by step disappear. No subject on the domestic scene should more attract the concern of the friends of American working men and women and of free business enterprise than the forces that threaten a steady depreciation of the value of our money.

Farm Situation Heartening

Concerning developments in another vital sector of our economy—agriculture—I am gratified that the long slide in farm income has been halted and that further improvement is in prospect. This is heartening progress. Three tools that we have developed — improved surplus disposal, improved price support laws, and the soil bank — are working to reduce price-depressing government stocks of farm products. Our concern for the well-being of farm families demands that we constantly search for new ways by which they can share more fully in our unprecedented prosperity. Legislative recommendations in the field of agriculture are contained in the Budget Message.

Our soil, water, mineral, forest, fish and wildlife resources are being conserved and improved more effectively. Their conservation and development are vital to the present and future strength of the nation. But they must not be the concern of the Federal Government alone. State and local entities, and

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The New Dimensions of Business

By JOHN S. COLEMAN*
President, United States Chamber of Commerce
President, Burroughs Corporation

Necessity of American businessmen to transcend from exclusive interest in their respective positions in industry to undertaking as well a constructive role in developing and supporting domestic and international policies is emphasized by National Chamber head in reproving those still living in a world that is past and gone and who refuse to see that their positions involve such world responsibilities as our security, prosperity and freedom. Turning to the domestic scene, Mr. Coleman advises that where government action is necessary, businessmen should help plan and administer governmental policy and not leave the field to the opponents of business or special interest business groups who care not for the public as a whole.

Why is it important that American businessmen should undertake an initiative in the formation of national policies? Why is it that we must have a constant flow of business opinion to Washington? My answer is simple. From moment to moment the impact of public opinion is determining the future of our country, and indeed, of the world. Day by day in Congressional debate, in newspaper editorials, in government reports, in the statements of labor unions, and in a multitude of other ways, public policies are being hammered out. This is the democratic process. This is the way we are governed. The question then is shall we or shall we not participate in this process? Will businessmen take their proper place in the councils of the nation?

John S. Coleman

Most of us here are familiar with the geography of Washington. But even if you are, I suggest that next time you are in that city you take a refresher course. I suggest you drive in widening circles around the White House and as you drive, count those many magnificent new buildings housing the headquarters of labor unions. I do not question for one minute their right to be there. Indeed, every legitimate group in our society has the right to contribute its experience to the process of government and take its chances in the process of democratic decision. That, as I understand it, its the American way. The question, however, I propose to you is this: Is our contribution in proportion to theirs? Are we making our proper impact on national policy? We cannot live our lives between our office and our home without reference to the neighborhood and the community. Outside the office and the plant, decisions are being made in city councils, Congress, and government departments which will directly and decisively determine the climate in which we will do business. In interesting ourselves in those decisions we are not neglecting our business, but rather attending to it in its wider but no less important aspects.

*An address by Mr. Coleman before the New York Chamber of Commerce, Jan. 3, 1957.

Develop Own Positive Policies

In saying we should interest ourselves in politics, I am not recommending that we should all become politicians. My point is rather that we can be effective in politics only with a continuing program. This means first, personal contact with our Congressman. We can't expect help when we need it if we've consistently ignored our Representatives. It means second, keeping in touch with current legislation—not when it is on the floor of the House or Senate, but in the all-important committee stage. We can't complain about bad legislation when we make no effort to participate in the legislative process.

Finally, we've got to know what we think, and why. In the past we have perhaps fought too many rearguard actions against the inevitable. Let us resist the temptation to support measures for which much may be said but which are politically impossible. But more important, let us develop our own positive policies, tested by the standard not just of business interest but the national welfare.

We hear a lot about what labor is against and what business is against. But what is labor for, and what is business for, and why? Vague generalities are of little help here. I am sure that the public is tired of slogans and platitudes. What we need are more specific guideposts to a workable society. Business has a magnificent story to tell, but let us be sure what that story is.

Across the world there is a growing realization that a major ingredient in the success of America is the science of management. By this I mean concepts not only of production and distribution but also of social living. In Italy, in the United Kingdom, in India, and in Australia—to mention just a few countries — business schools or, as some call them, administrative staff colleges, have been set up in recent years on American models. They are dedicated to teaching the ways and means of developing material and human resources to the fullest. These concepts of management are not only relevant to big business, they are also being applied throughout America in small shops and farms, in hospitals, in offices, and in government and professional offices—everywhere where men and women work together for a common objective. The world has rightly sensed that these techniques are universal and it sees in them new hope for material and spiritual growth.

Political Effectiveness

To the principles of human cooperation businessmen have thus made a unique contribution. And yet we seldom speak of it. Instead we return to outworn phrases that at best ignore and at worst deny the important social and public aspects of our business system. Industrial management, in fact, is not merely a technical skill. It is also an art of leadership. A church, a university, a hospital are organizations of human beings performing a common task, but so also is a business. The truths of human relations, we are patiently discovering in business are no less true beyond our offices and plants. Businessmen then have no grounds for defeatism. The principles of political effectiveness are to be found within our own organizations, if only we will meditate on them and apply them.

In suggesting we take a greater interest in public affairs, I am implying that we must face up to the problem of the place of government in our society. There is no subject upon which businessmen are inclined to express themselves more vehemently. We are right in insisting on the dangers of big government, on the dangers it presents to freedom, to the efficiency of economic enterprise, and indeed, to the very dynamism of our American economic society. At the same time we must realize that without a clear conception of the manner in which the instrument of government can and should be used we leave by default the field to the opponents of our business philosophy and practice. Or just as bad, we leave the field to individual business groups who do not hesitate to use government to promote their own special interests without reference to the interests of the public as a whole.

In our complicated modern society, government must necessarily play a positive role. We must insist that government stay outside the area in which the individual enterprise can do the job. At the same time we must admit the duty of government to develop and implement policy in matters in which it alone has the scope and authority. Too often in political debate we are offered either one extreme or the other. We are offered the solution of government dictation or *laissez faire*. We need not make this choice. There are two sides to most questions and the practical course is frequently a middle course. It is here I think that businessmen can make their most effective contribution. Where the government intrudes into the private sphere, we must fight persistently against it. But where government action is necessary, let us recognize it and be eager to participate in planning and administering governmental policy.

Must Include World Perspective

The area of our interest cannot, however, be confined only to national affairs. Upon America, upon this business society have now been placed burdens of world leadership which we did not seek and for which perhaps we were ill prepared. I say this *business society;* in other words, a society in which business plays a predominant part, one in which our own associates and colleagues have positions of major influence. The United States, as I have said, did not see these new responsibilities. But the international situation has placed them upon this country, and consequently upon businessmen. Recently someone said that the United States had been promoted. And certain it is that we have been called to the position of leadership in the world. But by the same token, businessmen have been promoted. They too must accept responsibilities of leadership appropriate to their economic responsibilities and to the position of our country in the world.

Some imply that this continent is sufficient unto itself and they would leave the rest of the human race to their fate. Indeed, I would not be frank with you if I did not say that in traveling through the country from time to time one meets businessmen who are still living in a world that is past and gone. They look no further than their own company. They have no guideposts save those of the past. They have won the first positions in industry; they cannot, however, see that these positions bring with them a world responsibility. Especially in matters of foreign economic policy they are enclosed by local and limited horizons. The realities of world affairs will sooner or later force them to yield, but for the safety of America and our allies, let us pray that this day may come sooner rather than later.

In quiet times world affairs are inevitably somewhat removed from public interest. So long as there is not a shooting war we can too easily assume that these matters do not need our attention. But then suddenly the realities are exposed. The causes working below the surface break out into the open. What we must remember, however, is that they are there all the time and that our indifference was due to our failure to recognize them. I would not attempt to predict the outcome of current developments, but more than ever they emphasize how deeply all of us are involved in world tensions and consequently in the policies by which we seek peacefully to control them. I am not competent to review and evaluate the world situation or to discuss the difficult issues of foreign policies. It is not, however, beyond our competence as businessmen to note certain facts about the present situation which deeply affect us both as businessmen and as citizens.

Our Security, Prosperity and Freedom

In the first place, all of us recognize that we do not live alone. The oceans that surround us are no longer moats but bridges. We have no alternative to working out relations with the rest of the world. We are for better or worse neighbors, and like neighbors we must have machinery for the resolution of neighborhood problems. If we cannot have a community of nations, then indeed we must seek solidarity at least with those with whom we have common interests and aspirations. Despite the events of the present it remains true that no objective of American foreign policy is more important than that of strengthening the Atlantic community, not only as a military alliance, but as an economic, political and cultural community. Our first interest is peace. Our prosperity will be temporary indeed unless it is founded on the strength and unity of ourselves and our allies. Upon the achievement of this major objective all else depends—our security, our prosperity, and our freedom. Whatever the damage done by the war in the Middle East, we will have laboriously to repair this alliance in the common interests of the United States and of all free peoples.

Second, we must recognize the momentous and continuing changes in Africa and Asia. In a single decade, 16 new nations have appeared in Asia and Africa with a total population of more than 700 million people. In short, one-third of mankind has recently arrived at political independence. Moreover, China, with a population of 580 million people, has emerged from a revolution as the major political and military power of Asia, and a power hostile to the United States. Though other newly independent nations may not be hostile, their future attitude to the Western World is in the balance. In many cases they are seriously prejudiced against us by their colonial past. It is true that what they want most is freedom to decide their own affairs without the intervention of any great power, whether of the West or the Soviet bloc. At the same time it is evident that they are determined to buttress political independence with economic development. In this respect the rapid development of the Soviet Union from a pre-

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It may seem that the current brutal repression of the revolt in Hungary will end once and for all Soviet influence in these areas. On the other side, however, it must be remembered that to the Arab and Asiatic world, the British and French attacks on Egypt will be equally branded as imperialism. Past acts of tyranny and cruelty by the Soviet Union have unfortunately made little impression on the peoples of Asia and Africa. Over the years they have been preoccupied with winning their independence. Their recent history has been a struggle for freedom, not against, however, the Soviet Union and its system, but against the colonialism of the West. Moreover, Lenin and his associates always understood the advantages to be derived from encouraging revolution in Asia and Africa. A large part of communist doctrine is concerned with so-called imperialism, and capitalism is presented as the arch enemy of both workers and colonial peoples.

An Ally and Mediator

Thus the communists have succeeded in associating in the minds of many the ideas of capitalism and political dependence The final reaction of these two continents to current Soviet actions cannot be predicted. Indeed, reviewing the recent incredible and unlikely turns in world events we cannot feel too sure of anything. This, however, does seem certain: The majority of the peoples of the world are on the move, economically and politically. And we will need skill and understanding if we are to influence their development in the direction of political and economic democracy. Indeed we must, as someone has pointed out, ride two horses. We must be both an ally of the West and its mediator with the new nations so rapidly emerging on the world stage.

I have spoken of politics, both national and international. Implicit in all my remarks is the belief that increasingly, whether we like it or not, these matters will demand the attention of all Americans, but especially of businessmen. When a famous Frenchman was asked what he did during the Napoleanic War, he answered, "I survived." If we can answer in the same way through the years ahead, it will be only because businessmen, together with other individual Americans, played a conscious role in developing and supporting domestic and international policies appropriate to the times.

Conclusion

Our function is no longer just business, it is rather, if you like, the total business of America. Businessmen have won their place of prestige in the nation by their record of succesful management of our productive resources. It would be tragic, indeed, if that prestige now waned because of our inability to meet the newer and greater problems of world leadership. Not for a moment do I believe that this will happen. We will respond because it is necessary. We will meet this challenge because it is demanded of us. That is my faith, as indeed I am sure it is yours.

Small Business Seen Chief Victim of Proposal To Broaden Scope of Federal Corporate Tax Law

Recognized tax authority, in opposing expansion of progressiveness in corporate income taxes, also holds a 50% limit on Federal individual income taxes, against the present 91% ceiling, is possible this year if Congress would pay more attention to tax fundamentals and less to "attractive non-essentials like loopholes and the excise tax on bags for golf shoes."

A 50% ceiling on Federal individual income tax rates, instead of the present 91% is possible in 1957 if more Congressional attention is paid to tax fundamentals and less to "attractive non-essentials like loopholes and the excise tax on bags for golf shoes," according to Roswell Magill, President of the Tax Foundation.

Roswell Magill

In an article entitled "How Progressive Can We Get!" in the Foundation's monthly *Tax Review*, Magill coupled comments on the individual income tax with a sharp attack on proposals to increase the progressive rates of the corporate income tax.

"If we could afford just one modest tax accomplishment in 1957, this 50% rate ceiling is the one which I should choose," said Magill. "The goal is within reach, provided we don't permit runaway spending to unbalance the budget."

Blames Congress

Although the Federal income tax law has a greater impact today upon the personal life of every American and upon the form of every business transaction than any other law on the statue books, he said, "Congressional discussion of the tax laws seems curiously uninspired and halting."

"It seems to be limited to attractive non-essentials like loopholes and the excise tax on bags for golf shoes; and to avoid any consideration of such essentials as tax reduction; the force the tax law is asserting day after day in reducing and denying the liberties of citizens to spend their own earnings as they see fit; and in compelling business to adopt forms and procedures for tax reasons, which run counter to other well-established governmental and business policies!"

"The main thing wrong with Federal taxes is that they are too high," he said, "and attention to loopholes, no matter how concentrated, will not lower the burden significantly."

Correction of loopholes is important, he said, and continued:

High Rates Cause Loopholes

"Should we be more concerned, however, with the trickle of revenue that may escape through ingenious little schemes (that Congress has tried to stop for 25 years), than with the fairly uniform agreement that income tax rates are much too high, both at the bottom and at the top of the rate scale; that high rates are the direct cause of the invention and utilization of loopholes; that the tax law is much too complicated and obscure; and that many of its provisions operate to defeat the very economic development that other government agencies seek to foster."

"I suggest that a discussion of these matters is more essential, more worth a set of Congressional studies and hearings than a heaping handful of 'loopholes' or 'unintended benefits' in the tax laws," he said.

In discussing proposals to make the corporate income tax more progressive, Mr. Magill said: "If the most widely discussed Congressional bill on that subject should be adopted, any corporation with an income of $37 million or less would have its taxes reduced. There are about 500,000 of them. Any larger corporation would have its taxes increased. There are only 78 of them."

Affects Small Stockholders

Opposing expansion of progressiveness in corporate income taxes, he said the proposals would penalize the many small stockholders who have shares in the biggest corporations; consumers would suffer when the corporations were forced to pass on the higher taxes in higher prices for their products; and a barrier would be created for economic growth.

Finally, he said, the proposals would not solve the problems of small businessmen, as they are supposed to do, because the benefits would apply to only "a narrow segment of the small businesses of the country." Left out, he indicated, would be about a million partnerships and some two million sole proprietorships.

"Congress will be very shortsighted indeed if it adopts the proposal, for there is every indication that it will operate against the best interests of the country," he said.

The Tax Foundation, a nonprofit organization, is engaged in research on government spending and taxation. Its purpose is to aid in the development of more efficient government at less cost to the taxpayer. It also serves as national information agency for organized civic and research groups throughout the country.

Burnham & Co. to Admit Jack Adler to Firm

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 17 are admitting Jack Adler, member of the Exchange, to partnership. Mr. Adler has been active as an individual floor broker.

Granger & Company to Admit Two Partners

Jeffrey S. Granger, Jr. and M. Frederic Simon will become partners in Granger & Company, 111 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1. Mr. Simon is manager of the Bond and Trading Department for the firm.

Geo. Stewart to Admit

On Jan. 24 George Stewart & Co., 29 West 34th Street, New York City, members of the New York Stock Exchange, will admit Ethel Stewart to limited partnership.

Mary Soloway retires from limited partnership in the firm Jan. 24.

Clark Dodge Admits

John P. Rutherfurd will become a limited partner in Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1.

Cohen, Simonson Partner

Cohen, Simonson & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Francis G. Rea to partnership.

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Re-Examining Credit Policies To Achieve Economic Stability

By DR. E. SHERMAN ADAMS*
Deputy Manager, Department of Monetary Policy,
American Bankers Association

Inquiring into the success of Federal Reserve policies, and the anomaly of repeating in rapidly growing non-banks some of the very mistakes that proved so disastrous in banking over 25 years ago, Deputy Manager Adams asserts we must study the efficacy of private and public credit policies in promoting economic stability, and ascertain what must be done to mitigate unstabilizing pressures untouched by credit policy. The need for developing a modern monetary and financial theory is said to stem from crucial test of Federal Reserve policy now in the making, and from the results of traditional credit control methods to date. Author finds: 1951-1955 over-all price stability to some extent is deceptive; tight money has activated idle balances and money velocity; Fed has not kept savings and investment in balance.

Over the past decade there have been significant developments in the area of private and public credit policies that have important implications for economic stability. I should like to comment briefly on certain of these developments and to point out some of the problems they have created that deserve your study.

Dr. E. S. Adams

With respect to private credit policies, it is notable that the lending and investment policies of commercial banks have remained predominantly conservative throughout the past 10 years of unprecedented boom. This was true even prior to 1951 when monetary policy was impotent and the banks were highly liquid. The evidence suggests that this may constitute a permanent change in the character of American banking.

*An address by Dr. Adams before the 69th Annual Meeting of the American Economic Association, Cleveland, Ohio, Dec. 27, 1956.

This conservatism in banking has been a stabilizing influence in our economy over the past decade—in contrast, for instance, with the 1920's. Our economy has not been undermined by the credit abuses and the general deterioration in the quality of bank credit which formerly characterized boom periods. There are some elements of instability in bank credit today, of course, but from the standpoint of credit risk, bank assets are far stronger than they were say in 1920 or 1929.

Will banking conservatism accentuate deflationary movements more than in the past? On the contrary, I believe the reverse will be the case, largely because of the generally high quality of bank loans and investments. Although 1949 and 1953-54 were not conclusive tests, the behavior of bank credit in those two recessions is at least reassuring.

In short, bank credit policies should have a more stabilizing—or less destabilizing — influence upon our economy in the future than in the past.

The Problem of Nonbank Credit

However, while banking has changed its spots, substandard borrowers have been able to turn to nonbank lenders. Moreover, nonbank credit agencies, public and private, have been growing much like Topsy but much faster. We have been following a policy of curbing the growth of bank credit while at the same time actively stimulating the expansion of nonbank credit.

Does not such a policy involve serious dangers not only to banking but to the public welfare? Can we safely ignore the fact that while conservative standards now prevail in banking, unconservative standards prevail among some of the most rapidly growing nonbank credit agencies? Are we perhaps in process of repeating with other types of financial institutions some of the very mistakes that proved so disastrous in banking?

There are also important implications here for monetary management. To be sure, nonbank lenders do not create money but they do activate money and sometimes channel it into areas where its impact is highly inflationary—as, for example, the construction industry.

Experience has demonstrated that the credit policies of nonbank lenders at times respond only very slowly, if at all, to the influence of Federal Reserve policy. In fact, tightening of bank credit has sometimes led to a liberalization of the credit policies of nonbank institutions, a current case in point being the Federal National Mortgage Association.

Last year, when the Federal Reserve was clamping down on bank credit, the American Bankers Association asked its members as to whether some types of credit were too easily available in their communities. Seventy-seven per cent of them answered "yes," and the great majority specified that this easy credit was being made available by nonbank lenders. Even after allowing a liberal discount for possible bias, this evidence remains impressive.

Can traditional methods of credit control adequately cope with this situation? Or do these developments call for a new approach to the problem of credit management?

In academic circles there is lively discussion about reorienting central banking in the direction of supervising nonbank as well as bank credit. The trend is away from the preoccupation with money supply and other monetary aggregates that we still find in many textbooks. Attention is also being given to possible new techniques and institutional arrangements for credit regulation.

Our Credit Way of Life

These problems come into sharper focus when we examine the huge increase that has taken place in personal indebtedness, financed largely by nonbank lenders.

From the standpoint of economic stability, of course, the main question here is not the absolute level of this debt but its volatility. Is there danger that wide swings in the volume of installment or mortgage credit may have disruptive effects upon our economy? Will existing credit controls suffice to prevent them from causing serious trouble?

These questions require careful analysis of recent credit developments. How, for example, should experience with installment credit be interpreted? Should we be concerned by what happened in this type of credit in 1955? Or should we be reassured by its more decorous deportment in 1956?

Need for Coordination

In the area of real estate credit, a difficult problem is posed by the government's policy of stimulating housing at all times. The credit policies of government agencies concerned with residential mortgages have frequently run counter to Federal Reserve credit policy.

There is clearly need for better coordination of the credit policies of these agencies with Federal Reserve policy. The Council of Economic Advisers has from time to time made some efforts in this direction but without great success.

Could adequate integration be achieved if Congress were simply to instruct these agencies to follow policies consistent with Federal Reserve policy? Or should some arrangement be worked out whereby the Reserve authorities could exert greater influence on the policies of government agencies in the mortgage field—and perhaps in some other credit fields as well?

If the coordinating job were to be given to some agency other than the Federal Reserve, the latter's independence might be undermined. On the other hand, if the Fed were to be given very much authority in this area, it might be exposed to pressures that would impair its usefulness.

The Fed and the Employment Act

These questions raise the broader problem as to what the role of the Federal Reserve System should be in our present-day political economy. Are the present objectives and the independent status of the Federal Reserve fully compatible with the philosophy of the Employment Act of 1946?

The Reserve authorities have told the Joint Economic Committee that they see no conflict between their aims and those embodied in the Employment Act—since they interpret the Act as implying endorsement of their objectives, in spite of its faulty wording. They obviously believe, moreover, that the Reserve System can make its maximum contribution to these objectives only if its present independent status is preserved.

However, Federal Reserve policy in recent years has been predicated on the major premise that price-level stability is not only consistent with maintaining high levels of production and employment but is essential for achieving this goal. This proposition is not universally accepted outside the Reserve System. At times the Council of Economic Advisers and many others have been noticeably less concerned with price stability than have the Federal Reserve authorities. Moreover, the Council has at times shown a disposition to intrude into the area of Federal Reserve policy-making.

This situation may be fraught with danger. It could lead to serious conflicts in public economic policies and conceivably to an impairment of the independent status of the Reserve System. If the Federal Reserve's premise is valid, or is at least desirable as a working hypothesis, then should not the Employment Act be amended to give due weight to the importance of price stability as a guide for other public policy-makers?

How Effective Has Monetary Policy Been?

Opinions differ as to how much reliance we can place upon the Federal Reserve System with its existing powers in trying to achieve economic stability. Since the Federal Reserve-Treasury accord of 1951, our economy has grown rapidly and, until recently, with overall price stability. To what extent has the Federal Reserve actually contributed to this good performance?

Most informed observers would probably agree that during this period Federal Reserve credit policy has been skillfully conducted and has made some contribution to economic stability. And certainly serious instability might have developed had credit policy been ill-conceived or inoperative.

On the other hand, it can hardly be contended that the influence of the Fed's actions has always permeated the credit picture. In some strategic credit markets, the lags have been considerable — as,

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for example, in consumer credit in 1955. Even in banking, where the impact is most direct, the actual effect upon the total volume of bank lending may have been considerably less than is frequently assumed.

To be sure, Federal Reserve policy has succeeded in restricting the growth of the money supply. But just how significant is this? Even from the standpoint of quantity theory, the curb on money supply has been partially nullified by a substantial rise in money velocity. Indeed, credit restraint accompanied by higher interest rates has clearly stimulated the activation of idle balances and a more intensive utilization of money.

Other Limitations of Monetary Policy

Moreover, throughout this period rising interest rates have not discouraged demands for credit as effectively as some textbooks suggest. In the case of business borrowers, high tax rates make borrowing cheap at any price. In the case of consumer credit, now more important than formerly, borrowers neither know nor care what rates they pay.

Also, in this age of institutionalized savings, rising interest rates no longer strengthen the incentive to save as much as some theorists claim. During the current investment boom, it has become clear that Federal Reserve credit policy is not an efficient instrument for keeping savings and investment in balance.

Finally, we can probably agree that the overall price stability of 1951-55 was to some extent deceptive. Throughout this period the wage-cost-price spiral continued to operate, though its effects were masked by declining farm prices. In fact, over these years we have been in process of institutionalizing our inflationary habit of raising wages faster than gains in overall productivity. Over the past year, despite the Federal Reserve's efforts, prices have again been rising.

It is hard to say precisely what all these factors add up to in terms of the effectiveness of Federal Reserve policy. They certainly underscore the fact that credit policy alone cannot assure economic stability. They also suggest, it seems to me, that we need to know more than we do know as to how, under present-day conditions, the Fed's actions actually affect the credit policies of various financial institutions and the saving and spending of various groups. They may also suggest a need for developing an up-to-date and fully articulated theory of monetary and other finacial policies.

Crucial Test May Lie Ahead

Indeed, a critical test of Federal Reserve policy may now be in the making. If the current boom continues and if the Federal Reserve adheres to its present course, strong demands for credit could cause the availability of bank credit to become much tighter than it is at present.

Should the Federal Reserve permit such a situation to develop or would it be too dangerous from an economic standpoint? On the other hand, if the Fed were to relax its reins on the money supply in order to avoid a credit squeeze, would this not be tantamount to validating the wage-cost-price spiral and inviting further inflation?

Even if the Sir Galahad approach may be justifiable from a strictly economic standpoint, there is the question of the limits of public tolerance with respect to credit stringency. Can the Federal Reserve risk a head-on collision with the wage-cost-price juggernaut before a nationwide audience? How far can it prudently afford to go in exercising its independence without jeopardizing it?

Some progress has been made in recent years in generating public support for Federal Reserve policy. Bankers, for example, know much more about the subject than they did years ago and are now for the most part staunch supporters of flexible monetary policy and of the independence of the Federal Reserve. Progress has been made among some other groups as well.

Opposition to Credit Restraint

Nevertheless, strong opposition to credit restraint persists in a number of quarters, some of which are powerful politically. Quantitative credit regulation has proven to be quite uneven in its incidence upon particular credit markets and individual industries. Some groups feel they are being unduly penalized for the sake of rather doubtful benefits to the economy as a whole.

One case in point is the market for government guaranteed and insured mortgages. The inflexibility of interest rates for these mortgages has at times caused a dearth of funds in this market and this has aroused vigorous complaints from the powerful building industry.

Should these mortgages be regarded as a marginal type of credit that should be curtailed sharply during a boom, in accordance with central banking doctrine? Or would it be desirable as a practical matter to provide flexibility of rates on these mortgages to induce a more even flow of credit into this market? And, incidentally, if so, how?

The public at large still remains generally uninformed and unenthusiastic about monetary policy. A large part of the population has now become users of credit and many feel that they are being victimized when interest rates rise and borrowing becomes more difficult. It is no easy matter to persuade people who know they want to buy dream houses and dream cars that they will be happier in the long run with a restrictive monetary policy instead.

During the past year "tight" money became a major campaign issue and the election results have not dispelled the ominous possibility that monetary policy might become a political football.

Much more therefore needs to be done to educate the public regarding monetary policy. Meanwhile, the limits of public tolerance constitute a real impediment to its potential usefulness.

Two Overall Problems

From all of these considerations we have touched upon, two broad problems emerge: (1) What should be done to enable private and public credit policies to contribute more effectively to economic stability? (2) what should be done in other areas to mitigate unstabilizing pressures which credit policies alone cannot control?

The developments of recent years which we have here briefly considered point up the strategic importance of these two questions. If we are to achieve economic stability, there is urgent need really to face up to these problems and to formulate workable solutions to them.

Dean Witter to Admit

SAN FRANCISCO, Calif. — Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, on Feb. 1 will admit Howard J. Nammack to limited partnership.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Jack Feinsinger retired from partnership in Long & Meaney Jan. 4.

H. E. Dahlberg to Be Partner in J. A. Hogle

TUCSON, Ariz. — On Feb. 1 Henry E. Dahlberg will be admitted to partnersip in J. A. Hogle & Co., members of the New York Stock Exchange and other leading exchanges. Mr. Dahlberg has been conducting his own investment business in Tucson under the name of Henry Dahlberg & Company for many years.

Henry E. Dahlberg

Eliot Weston Opens

MIAMI BEACH, Fla.—Eliot R. Weston has opened offices in the 1 Lincoln Road Building to engage in a securities business.

Opens Inv. Office

Suzanne S. Ryder Cornell is conducting a securities business from offices at 329 West 57th Street, New York City.

Donald D. Graham.

Donald D. Graham, partner in Jas. H. Oliphant & Co., passed away Jan. 8.

M. L. Davidson Opens

FT. WORTH, Tex. — Martin L. Davidson is conducting a securities business from offices at 2308 Linda Lane.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Emory F. Mendenhall is now with Harris, Upham & Co., Johnston Building.

Halsey, Stuart Group Offers Equip. Tr. Clfs.

Halsey, Stuart & Co. Inc. and associates on Jan. 11 offered $4,875,000 of Missouri Pacific RR. 4½% equipment trust certificates, series G, due Jan. 15, 1958-1972, inclusive, at prices to yield from 4.10% to 4.50%.

Issuance of the certificates is subject to authorization of the Interstate Commerce Commission.

The certificates will be secured by 800 new standard-gauge all-steel gondola freight cars which will cost an estimated $6,220,000.

Associates in the offering are Baxter & Company; Shearson, Hammill & Co.; Freeman & Company; Gregory & Sons; Ira Haupt & Co.; Wm. E. Pollock & Co. Inc.; The Illinois Company, Incorporated and McMaster Hutchinson & Co.

Howard, Weil Branch Opened in Natchez

NATCHEZ, Miss. — A branch office of Howard, Weil, Labouisse, Friedrichs and Company, New Orleans investment firm, was opened on Tuesday, Jan. 15, in Natchez, Miss. It is the fifth office established by the firm, and will be located at 325 Main Street.

Manager of the Natchez office, the first to be established in Mississippi by Howard, Weil, Labouisse, Friedrichs, is Malcolm D. Raworth, Jr., formerly Manager of the Natchez branch of the recently dissolved investment firm of Tullis, Craig and Bright.

Associated with the 35-year-old Raworth in the Natchez office will be his father, Malcolm D. Raworth, Sr., a native of Vicksburg, Miss., who retired from the cotton business in Providence after 38 years in order to assist in the operation of the new branch.

Glore, Forgan Adds

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other leading stock exchanges, announces that George Wall Merck has become associated with the firm in the foreign department.

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Why We Need the Gold Standard

By FREDERICK G. SHULL
New Haven, Connecticut

New Haven monetary scholar cites the late Professor Kemmerer, of Princeton, to help show there was no need for U. S. A. to go off gold in 1933, and to repeat his advice that we ought to return to the gold standard. Mr. Shull compares observations made by Roger W. Babson, Andrew Carnegie, Grover Cleveland, and Theodore Roosevelt with the "modern Republican" viewpoint of today, and describes qualities gold possesses which make it the best available standard-of-value.

From time immemorial gold has been recognized as a commodity of great value. Certainly that has been true for at least 2,500 years—witness the fact that it has been mentioned as such in the Book of Genesis at least three times; in the Book of Joshua three times; and in the First Book of Kings a dozen or more times. And if one were to scan through all of the chapters of both the Old and the New Testaments I am sure that many times more could be added to the list. It seems likely that these Biblical facts played a real part in prompting the leading nations of the world to establish the values of their currencies in terms of a definite weight of fine gold per unit of currency. And it may have prompted Andrew Carnegie to say, in 1908:

Frederick G. Shull

"There is only one substance in the world which cannot fall in value, because it is in itself the world's standard of value, and that is gold, which the banks of civilized nations have as their reserve."

For Over Two Centuries

Qualities which gold possesses which make it stand alone as the best material for serving as a standard-of-value may be briefly stated as freedom from corrosion, ease of divisibility, and its scarcity as compared with the more common metals and commodities. Its stability of value comes about from the fact that it requires a fairly definite amount of effort to acquire it — unlike the seasonal changes which affect the values of the great majority of commodities. In fact Mr. Carnegie drew the the comparison that whereas the North Star is the most firmly fixed in its position of any of the heavenly bodies, about which the others revolve, gold is the most nearly fixed in value of any of the commodities; and he deemed it entirely proper that gold should serve as the standard-of-value for determining the relative values of all other commodities and services.

And has gold amply proved itself to be the best standard-of-value known to the peoples of the earth? The answer is definitely Yes—as evidenced by the fact that England's pound sterling was firmly attached to gold throughout the 18th and 19th centuries, and rigidly maintained at 113 grains of fine gold per pound sterling from 1821 to 1914; by the fact that the American dollar was given a value of 24.75 grains of fine gold per dollar in 1792, dropped slightly to 23.22 grains in 1837 to bring about a 16-to-1 relationship between gold and silver, and never again tampered with until the New Deal debauched our Dollar in 1933—as great a piece of dishonesty as has ever been inflicted on this nation. And throughout the 19th century practically all of the leading commercial nations of the earth were on the gold standard. And as recently as 1931 a famous British committee of 14 eminent economists and financiers, known as the "Macmillan Committee," rendered a report in which they voiced this very important suggestion:

Cites Macmillan Committee Report and Prof. E. W. Kemmerer

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

Why then did we go off the Gold Standard in 1933? The answer is, there was no valid reason for our doing so. So said our greatest monetary expert of this 20th century, the late Prof. Edwin W. Kemmerer, of Princeton, in his moneary masterpiece "Gold and the Gold Standard" published in 1944 (McGraw-Hill). And in the very last paragraph of that book Prof. Kemmerer offered this bit of wise advice as to what we should do at the close of World War II:

"Finally, the United States Government should promptly declare its intention to rehabilitate its own gold standard after the war, and should call an international monetary conference of all countries desiring to return to a gold basis, with the object of formulating plans for the restoration of an international gold standard and for international cooperation to make that standard a better standard."

Well, World War II has been over for several years and, contrary to the sound advice of Prof. Kemmerer, the United States continues to operate with the dishonest paper money saddled on us by the New Deal in 1933—even though the present Administration promised in its 1952 Platform to restore our currency to "a dollar on a fully convertible gold basis." That type of money is well described by the authoritative Roger W. Babson in his article which appeared in the "Chronicle" of Oct. 25, 1956. Mr. Babson said:

Quotes Mr. Babson

"Practically all of our paper money has on its face a promise to pay, but the government will not give us anything for it, except the same kind of money! Printed promises by any government mean little. The great financial need today is a national educational campaign by both parties combined, to teach the American Voter the honest truth about inflation." And in a later article Mr. Babson has this to say about the questionable paper money we are using today:

"The banks and insurance companies need not suffer. They receive deposits and premiums in 'phoney' money, but they will pay out with 'phoney' money. Wages will increase, but most banks and insurance companies are adopting automation to get on with fewer employees. Certain real estate and some commodities, such as natural resources, may for a while benefit from inflation. But the great mass of honest people will ultimately suffer and President Eisenhower will not prevent it." Bankers and insurance companies should be ashamed of this lethargy on their part—this failure to lift their voices in support of the interests of their customers; for they should be among the first to demand that the American Dollar be restored to the *honest* basis of the Gold Standard at its presently-claimed value of $35 a fine ounce of gold.

It should be borne in mind that Mr. Babson is not attempting to initiate any new theories as to what constitutes sound money — he is merely drawing attention to monetary opinion and practice followed by this nation, with minor exceptions, from the founding of the nation right down to 1933 under both Democratic and Republican leadership. As proving that it is not a party issue, that it is a *national* issue, we need cite just two of our great Presidential leaders, Grover Cleveland and Theodore Rossevelt: In the biographies of our Presidents which recently appeared in the Magazine Section of the New Haven "Sunday Register," Grover Cleveland is credited with having "upheld the gold standard almost alone" in the early 1890's. And in the published addresses of Theodore Roosevelt, one in 1902 and the other in 1904, these selections both hit the nail on the head:

Theodore Roosevelt's Views

"An honest currency is the strongest symbol and expression of honest business life. A permanent system of assured honesty is the first essential." And

"We know what we mean when we speak of an honest and stable currency. So long as the Republican party is in power the gold standard is settled, not as a matter of temporary political expediency, not because of shifting conditions in the production of gold in certain mining centers, but in accordance with what we regard as the fundamental principles of national morality and wisdom."

In recent times we have been hearing a lot about "Modern Republicanism." This so-called "modern" Republicanism seems to have a great deal in common with "New Dealism"—at least to the extent that it apparently has no criticism of the printing press paper-money initiated by the New Deal in place of money maintained "as good as gold." My preference would be for a return to the "old fashioned" Republicanism, such as espoused by Theodore Roosevelt and other Republican leaders right down to 1933—what might be called the "Model T. R." type of Republicanism, particularly as regards what constitutes *honest money*.

As Mr. Babson has wisely said, "The great financial need today is a national educational campaign . . . to teach the American Voter the honest truth about inflation."

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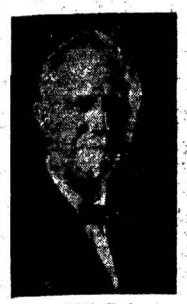
Where to Live

By ROGER W. BABSON

I am much interested in a Gallup Poll on six questions of where to live. I will not discuss the answers to three of these, namely —which is the "Most Beautiful State"—or "which is the Healthiest" — or "which is the best for a winter or summer vacation." The answers to all these questions are most interesting. I, however, am not qualified to pass thereon.



Roger W. Babson

Of the six questions, Mr. Gallup gives the ten first choices. Based upon the Law of Averages (in which I have great faith), the following nine states appear in the answers to most of the six questions. These are California, Florida, Colorado, Washington, Oregon, Texas, New York, Michigan, and New Mexico or Arizona.

Based upon my extensive travels and the opinions of thousands of friends, I honestly believe that every one of our 48 states possesses to some extent all the six advantages mentioned in this poll. This means to me that every reader should continue to live in the state where he is now located.

Let Us Look at the Record

Statistics show that death rates and health conditions depend 90% on the heritage and habits of us individuals and NOT upon where we live. The joy which we get from a vacation depends far more upon the people we meet than the scenery we see. None of the things which we really want can be purchased with a railroad ticket!

I however, should be an authority on the best places to get a job. If you mean NOW, the answer is "probably Southern California or wherever airplane plants are located." But, when the fear of World War III is over these same sections will suffer much *unemployment*. In fact, directly after a previous World War, 80% of the bus and taxi drivers of Los Angeles were said to be college graduates.

Wages and Investments

Wages are higher when work is plentiful in some cities, but such work is likely to fluctuate more. Statistics indicate that the total yearly 'take home" wages, adjusted according to living costs, are about the same in all 48 states. Again I say that in the long run a family does not better its total income by moving. One can get more comforts in Miami, Florida, than in Bismarck, North Dakota; but I am sure the latter is a better place to bring up a family of children.

Of course, the future value of land varies with different states. Probably the best purchases for speculation are in the West Coast States and the Southern States. In making purchases of homes, however, put more money into the land rather than into the house. Well-located land in any part of this wonderful country should continue to become more valuable from year to year; but any house is becoming less valuable each year unless money is constantly spent to keep it up to date.

Three Recommendations

To those who are determined to move, I suggest you consider for investment or employment a capital city of one of the 48 states. None of these 48 cities have ever defaulted on their municipal bonds. Owing to the large number employed by the various state departments, there is very little unemployment even during a depression. Due to pension systems — which most states have adopted— almost every family feels secure about its old age or the possibility of sickness. Most important of all is the fact that taxes can be collected from the entire state to support the capital city, whatever general business conditions may be elsewhere.

Cities having State Universities are also to be chosen. These likewise are supported by taxes from all the state. They are rapidly growing. Your children get a college education at a low cost — as well as a good "boy or girl friend." I also like cities which have non-fluctuating but constantly growing industries. The insurance business is a good illustration Business is always good in such cities as Hartford, Conn. Every state has one or more of such cities. However, your future depends upon you, rather than upon where you are located. Hence, my advice is to avoid being a "rolling stone" but make good where you now are.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Competition for the investor's dollar is just as keen as ever, with the corporates, the tax free and the World Bank bonds still keeping Government securities on the uncertain side even though the latter issues have been able to rally sharply from the all-time lows of last week. The good reception given to recent offerings of new issues of corporate bonds undoubtedly had a favorable effect on Treasury bonds. Also a special situation, such as buying from municipal sources for temporary investment tended to buoy Governments. The sharp contraction in loans since the end of last year is also a favorable money market factor.

Professionals Still in Charge

The professional element appears to be still very much in control as far as the long-term Government obligations are concerned, despite the reports that there has been a minor amount (since the first of the year) of investment buying largely from pension funds. Nonetheless, until yields become more realistic in Treasury bonds, compared with non-Government bonds, there will not be a lasting change in quotations of the Treasury issues.

The short-term Government securities continue to have plenty of buyers, although the floating supply of these issues has increased somewhat because of the refunding tax anticipation bills that have recently come into the market. The intermediate-terms have been getting somewhat improved buying.

Governments Rally Slightly

The Government market, especially the most distant maturities, have been able to rally substantially from their lows, due to a combination of reasons, namely, some short covering, a very modest amount of investment buying, and a quoting up of prices. The long Treasury market is still very much of a professional affair, very small and thin and as a result it can be whipped about very readily by traders and dealers. This accounts for the rather wide price gyrations which are witnessed every now and then in the long-term Government bonds.

Even though there has been a somewhat improved demand around for certain of the most distant Government bonds, due mainly to public, and to a lesser extent private pension fund buying, as well as some agency accounts purchases, these securities are not out of the woods yet, and will not be, unless there is a change in money market conditions.

Competition From Capital Market

The capital market is the one which competes with the long-term Government bond market, and, for the time being, it seems as though this competition is not going to be lessened at all. The demand for funds for capital purposes is still very large and the indications are that this will be the case for some months to come. As long as this is the situation, then the most distant Treasury obligations will be in a vulnerable spot, that is, subject to further downward price adjustments. The reason for the uncertainty as far as long-term Government bond quotations are concerned is the much more favorable yields which are available in corporate and tax exempt bonds compared with those available in Federal obligations.

Yields on Competitive Basis Essential

Also, as long as the supply of non-Government securities is going to continue to be heavy, and this seems to be the case for the first quarter of 1957, at least, and it could well carry into the first six months of the year, then the attraction for Treasury securities will come only when they have been put on a real competitive basis with new issues of corporates and tax exempt bonds. This will be attained when yields for Government bonds reach levels that are in line with non-Government obligations.

The near-term market for Treasury obligations has been on the improved side, since corporations have been using liquid funds to build up their positions in Treasury bills and tax anticipation bills. The recent "roll over" of tax anticipation bills (to refund a maturity), due in time for the payment of June 15 income taxes was well received, but this issue added somewhat to the floating supply of short-term securities. Also, since they were not payable through the tax and loan account of the commercial banks, they went at a much higher average yield (3.305%), than was the case of previous tax anticipation offerings by the Treasury. This new issue of tax anticipation bills had to compete with the weekly offering of Treasury bills for the available supply of near-term funds.

1961 Maturities Being Absorbed

Intermediate-term Government securities, according to advices, have been getting a modest amount of attention, mainly from the smaller institutional investors, with certain out-of-town commercial banks among those that have been making commitments in these issues. The 1961 maturities appear to be the favored ones in many of these purchases. Part of the money which has been going into the middle-term Treasury obligations has evidently come from the sale of longer-term Government securities.

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Ideal and Working Concepts Of Full Employment

By EDWIN G. NOURSE*
Joint Council on Economic Education
Former Chairman, Council of Economic Advisors

Former Council of Economic Advisors' Chairman reviews the complicated and obscure language employed by the Employment Act of 1946, used in charting economic policy for the past ten years despite various experimental interpretations, and warns "proponents of high pressure economics . . . to abstain from . . . ambitious definitions of full employment or of business expansion as will engender a degree of inflation that will call for the imposition of controls on prices, wages or investments." Mr. Nourse recommends self-discipline by aggressive, strategically placed capitalist or labor groups, and that productivity gains be translated predominantly into lower prices in order to maximize real purchasing power and employment on a maintainable operational basis of free competitive "big business" enterprise.

A decade of experience under the Employment Act of 1946 has served to uncover many complexities that inhere in the mere concept of full employment—quite aside from the yet greater complications that beset the attempt actually to reach such goals as we may set up.[1] We need a concept that will be dynamic and at the same time realistic in that it views fullness of employment in perspective to the state of the arts—organizational as well as technological. It must recognize, but not accept as fixed, the institutions and the mores of our system of free enterprise and representative government. So oriented, it will envision goals high enough to gratify our socio-political aspirations but also be consonant with the limitations of means existing at any given time for their attainment. Thus my title links ideal with working concepts of full employment.

Edwin G. Nourse

I

At the outset we should differentiate between an economic concept of full employment on the one hand and sociological and political concepts on the other hand—without either ignoring or disparaging the latter. It is only natural that the burgeoning national interest in full employment should get political interpretation as such general abundance of jobs or such amelioration of particular unemployment situations as will quiet political unrest or promote party success. Likewise, with our long reformist tradition, it is bound also to be widely interpreted in sociological or moralistic terms, stressing the belief that, under modern technology, it is outrageous to see "want amidst plenty," or any would-be worker denied an opportunity to produce as fully as he can and will. These political and alternatives to or compromises with the more strictly economic aspects of policy and program, but should be discriminately integrated with them.

Even so, the bed-rock upon which the structure of labor utilization must rest, if it is to prove both commodious and storm-resistant, can be discovered and cleared only by the tools of economic analysis. The economist as such must help his aspiring or demanding fellow-citizens to learn and practice "the art of the possible" in a real world where employment and production are determined within the *quid pro quo* of the market and the fisc—where general well-being is engineered from productive inputs.

What Is Full Employment?

Illustrative of the undue dominance of a sociological criterion is the definition of full-employment offered by William Beveridge, widely accepted at the time, and persisting in many quarters today. Starting from a social or ethical principle, he focused his attention on the subjective state of the individual rather than on the objective conditions of an economy in practical operation. On the title page of "Full Employment in A Free Society" we find the quoted aphorism "misery generates hate." In his opening pages Beveridge defines full employment as "having always more vacant jobs than unemployed men. . . . The labor market should always be a seller's market rather than a buyer's market." For this proposition, he says:

"There is a decisive reason of principle. . . . Difficulty in selling labor has consequences of a different order of harmfulness from those associated with difficulty in buying labor. A person who has difficulty in buying the labor that he wants suffers inconvenience or reduction of profits. A person who cannot sell his labor is in effect told that he is of no use. The first difficulty causes annoyance or loss. The other is a personal catastrophe. This difference remains even if an adequate income is provided, by insurance or otherwise, during unemployment; idleness even on an income corrupts; the feeling of not being wanted demoralizes. The difference remains even if most people are unemployed for only relatively short periods. . . . The short-term unemployed do not know that they are short-term unemployed till their unemployment is over.[2]

The implications of such a definition of full employment are far-reaching. It sets a requirement which is impractically high, both quantitatively and qualitatively. By positing job opportunities "always" and "so located that the unemployed men can reasonably be expected to take them" it calls for an abrogation of inherent seasonality and entrenched geographic dispersion whose removal well might entail burdens and consequences more deleterious than the unemployment the policy was designed to remedy.[3] The requirement that everybody not merely have a job but that it be a satisfying job moves the goal even beyond the realm of sociology and into the domain of psychiatry. People are "demoralized" not merely by not being wanted at all or not all the time but also by not being wanted intensely enough. Spiritual frustration and political revolt come not merely to the unemployed but also to thousands or millions of those who have jobs but "feel that they are not wanted" in the right kind of job, in a congenial place, or with fair pay or satisfying prestige.[4]

To say this is not to say that qualitative standards and sociological considerations have no relevance to the concept of fullness of employment opportunities in a progressive economy. It simply is to say that the formula "always more vacant jobs than unemployed men," whatever usefulness it may have had as a slogan to stimulate discussion of positive employment policies, is much too rarefied to serve as a practical test of private business performance or of national employment policy.

This sociological approach has much in common with the political approach to the employment problem exemplified in the "full employment bill" introduced into our Congress in 1945 by Senator Murray, supported by three other Senators. Section 2 of S. 380, read:

> All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right.

Who Provides the Definition?

In the press, in public hearings, and in Congressional debate there was spontaneous and vigorous challenge to so vague but at the same time so ambitious a concept of the labor force for whose full and "remunerative" employment the Government should accept responsibility. It seemed to foreshadow a Provident State whose political pressures would supersede commercial bargains and market incentives. The Employment Act as finally passed sought to shift the matter back to a more practical basis by defining the goal of Government policy as facilitation of an enterprise system that will "afford useful employment opportunities for those able, willing, and seeking to work." Emphasizing the shift from sentimental to operational criteria, the Congress established an apparatus of professional economic advisership in both the Executive and Legislative Branches of Government. It devolves on the economist, therefore, to furnish interpretations of the full employment goal that will sublimate political pressures, temper reformist dreams, and combine industrial and commercial workability with the scientist's ideal of systematic progress.

II

The declaration of policy in the Employment Act does not specify full or even "maximum" employment as the single goal of national policy. There are in fact three broad objectives or criteria of action set forth, all of which have distinctly economic content: (1) employment opportunities for those able, willing and seeking to work, (2) promotion of maximum employment, production, and purchasing power, (3) deference to "other needs and obligations and other considerations of national policy." But can the economist accept these three specifications as spelling out a consistent and tenable formulation of a full employment ideal or adequate working rules for national employment policy? I think not. Our profession has further work to do toward conceptual clarification.

Willingness to Work

(1) The phrase "those able, willing, and seeking to work" does not define a labor force for whose optimum utilization the Federal Government can, in good economic conscience, pledge itself to "utilize all its plans, functions, and resources." In the absence of objective criteria, the word *able* becomes practically meaningless. Whether a given person is, in a commercial or industrial sense, able to work is a decidedly relative matter. Able to work steadily or only intermittently? At the kinds of work for which demand presently exists, only with other skills, or without any particular skill, aptitude, or even teachability? Able to work as determined by a doctor's certificate or by a foreman's report? Under standard shop or office conditions or only with special facilities or treatment?

Equally rich in ambiguity is the companion term *willing*. It was inserted as a gesture of reassurance to those who feared the camel of authoritarianism might be getting his nose under the tent of free enterprise. But does it mean willing to work at such jobs as are available or only at the job of one's dreams? Willing to work on a time schedule dictated by employers' needs or by workers' convenience?

Seeking is, of necessity, the criterion relied on by the Census Bureau in giving us a monthly estimate of involuntary unemployment. But "wanting" would be a more apt term for our purpose since it is a commonplace in the experience of all who have dealt with the unemployed to find not a few persons who want work—may even need it desperately—and who yet are not actively seeking a job because they have become convinced that the search is hopeless.

The plain fact is that the size of our labor force is statistically determinate only within the limits of quite arbitrary definitions. While there is a substantial hard core of fully competent and persistent breadwinners, it is completely surrounded by fringes of adolescents, casuals, housewives, and the aged or handicapped, who freely add themselves to or subtract themselves from the ranks of

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* An address by Mr. Nourse before the annual meeting of the American Economic Association, Cleveland, Ohio, Dec. 27, 1956.

1 In the "Review of Economics and Statistics" (May 1956, p. 193) I presented a descriptive and historical account of the emergence of the full employment slogan and some of the issues of interpretation that have arisen in practice.

2 Beveridge, William H., *Full Employment in A Free Society*, p. 19.

3 Beveridge himself admitted that collective bargaining in a perpetual sellers' market for labor would entail "a real danger that sectional wage bargaining, pursued without regard to its effect upon prices, may lead to a vicious spiral of inflation." For this he recommended self-discipline within unions and compulsory arbitration as needed. Similarly as to prices, he hoped to see "all classes cooperate willingly, . . . adoption by the State of a price policy," and its implementation through monetary controls. (Pp. 198-203).

4 Another practical difficulty that lurks under the attractive surface of this definition is that it implies that jobs are to be furnished to workers "as is," absolving both employers and employees of that vigorous process of adjusting to ever-changing conditions that is characteristic of an enterprise economy. Two examples of the nature of this pitfall may be drawn from actual American experience: Labor union policies and practice in the coal fields and government programs for dealing with the problem of "too many farmers" by paying billions of dollars for the production of crops for which there was not a remunerative market.

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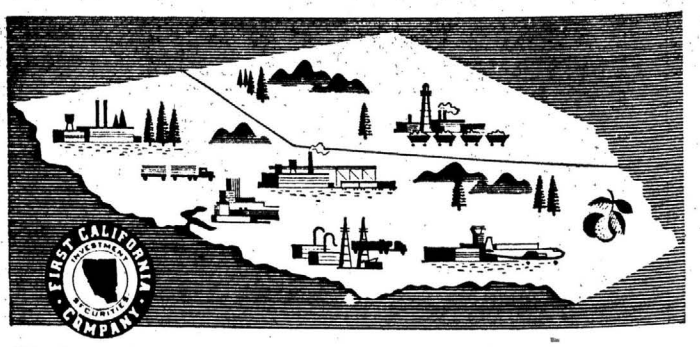

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job seekers as circumstances change.[5] Like other statistical time series the CPS monthly unemployment estimates are useful to show direction of movement and to give some indication of its speed or intensity. But quantification needs to be supplemented by much qualitative analysis and discriminating breakdowns. An aggregate figure purporting to show the *level* of unemployment is less illuminating for purposes of economic policy and action than detailed information as to the *structure* of unemployment. Timely notice of the character and rates of hirings and lay-offs is more pertinent for policy-making than an official estimate that the national aggregate of unemployment amounts to a certain percent of a categorically defined labor force.[6]

Such a trend in our thinking under the Employment Act is clearly reflected in the work of several statistical bureaus. Besides its master figure covering all those seeking and not finding jobs, the Census Bureau presents several breakdowns such as age and sex, agricultural and non-agricultural, wage and salary workers, self-employed and unpaid family workers, full-time and part-time, and duration of unemployment. It also reports on seven reasons for not working—temporary lay-off, new job or business, bad weather, industrial dispute, vacation, illness, and "all other." The Bureau of Employment Security of the Department of Labor reports monthly on the number of persons receiving unemployment insurance benefits under all programs and the percentage they are of all "covered" employed. The Bureau of Labor Statistics issues monthly reports of actual employment gathered from 155,000 employers, covering about 50 million workers, with totals broken down by industrial groups, by states, and by local areas. Within limits of funds and trained personnel, the regular reports are supplemented by spot studies of critical situations.

All this (supplemented by current data from several state departments of labor) gives a reasonably good three-dimensional picture of the current and short-trend state of labor utilization. Illumined for the President and Cabinet by the analyses of the Council of Economic Advisers and for the Congress by its Joint Economic Committee, it provides a pretty adequate and reliable factual basis for their consideration of economic policy. But it contributes no value judgments as to whether this state of employment is too low, acceptable, or perchance too high to meet Employment Act objectives.

The Three Maxima

(2) Second among the Employment Act's directives we find "maximum employment, production, and purchasing power." Does this tripartite formula give the policy-maker a clear and consistent criterion for measurement, for judgment and for action? I think not. The terms are both ambiguous and ambivalent.

Besides uncertainty as to who shall be counted in the labor force, just discussed, there is complete obscurity as to how many days or total hours of work are called for. Economists have long accepted transitional or, more broadly, frictional unemployment as indigenous to and ineradicable from an economy of rapid technological progress, free enterprise, and free choices of both consumers and workers. Seasonal unemployment stems in part from the same causes, with weather as an important additional factor. Maximum employment in economically ideal terms would call not for the elimination of these categories of temporary idleness but for the fitting of fractional work years together into the largest practicable total and the use of as many marginal work capacities as possible rather than letting them run to waste as "unemployable." This raises the whole issue of work versus leisure, which will be discussed later when we consider alternatives. But first, are maximum employment, maximum production, and maximum purchasing power mutually compatible, complementary, or conflicting *desiderata*?

It seems clear, therefore, that a policy that resulted in giving a job to everyone who might seek work or just be "willing" to work would put many on the payrolls who were submarginal under any standard of business management geared to maximum production—of wealth, that is, not merely volume of goods. It follows, then, as a matter of sheer economic logic that if aggregate demand for workers is raised to a level where there are "always more vacant jobs than unemployed men," marginal product will frequently be less than the cost of the last increments of labor—most of which must be paid for at standard wages, not a marginal price. Even under the conditions of mildly inflationary boom that we have witnessed over considerable areas of the economy during recent years, "scraping the bottom of the manpower barrel" has entailed expenses of recruitment, training, absenteeism, spoiled work, and lowered morale that have raised unit costs direct and indirect until they exceed the unit value of added product. Whether one looks at this as overemployment leading to inflation or as inflation leading to overemployment, it is clear that the choice of the economist as such between maximum employment and maximum production must fall to maximum production. It is an encouraging aspect of the economic thinking of our times as it bears on the effectuation of the Employment Act that the oversimplified goal of full or maximum employment is to so great an extent giving way to maximum production and the new formulation "economic growth." Yet more suitable is the expression *economic progress* that we at Brookings used.

Unlike the incompatibility between maximum employment and maximum production, the latter is entirely compatible with maximum purchasing power—if this is properly interpreted as power of consumers to command goods, not merely as a bigger flow of dollars through the market and government treasuries.

Having and Eating One's Cake

(3) The third of our excerpts from the declaration of policy tacity recognizes that sound interpretation of the Employment Act involves choices among alternatives which cannot be simultaneously maximized. It specifies that the maxima to be sought shall lie within the ambit of the country's "other needs and obligations and essential considerations of national policy." Besides this general caveat, there is the specific proviso that the full employment or maximum production goal is to be sought "in a manner calculated to promote free competitive enterprise." To elaborate and refine these sweeping phrases into meaningful and mutually consistent parts of our full employment philosophy and practice will demand answers in two of the most controversial areas of economic discussion today.

First, as to free competitive enterprise. Each of these three words invokes value judgments. On the face of it, the use of the word *free* represents a codification into the act of our traditional rating of personal and group freedom above mere material enrichment. This is value judgment both political and sociological in nature, though it rests also on belief, both lay and professional, in the superior economic efficacy of free enterprise. But how free can strong and aggressive individuals or groups be left to pursue their private interests without the interest of workers and consumers suffering? In a modern industrial economy choices have to be made between degrees of freedom not only of employer groups to displace workers but also of labor groups to protect jobs if the ends of maximum production and consumer real purchasing power are to be served.

The dilemma of freedom or control is provisionally resolved by a wide range of compromises. Traditionally, the American worker, urban and rural, has stoutly asserted that he would hold to freedom of choice as to whether, when, or how to work in lieu of larger labor income. However, both farmers and industrial workers have in many ways, but with uncertain degrees of finality, given up considerable areas of this pristine freedom for the tangible

Continued on page 109

[5] Theoretically, it might seem that there is much to be said for the suggestion sometimes made that we should differentiate and account separately for a primary labor force of the regulars and a "secondary labor force" of part-time workers and those requiring special treatment. But such classification would pose great practical problems. The statistical breakdowns now being developed would seem to be sufficient to reveal all the nuances of the problem that are manageable for purposes of general policy-making, whereas the diverse conditions among those who would conceptually fall into a secondary labor force need to be dealt with on a local or *ad hoc* basis—including union contract clauses and individual employer ingenuity.

[6] It is only natural that some kind of rule-of-thumb should have a good deal of popular vogue. Alvin Hansen, in his definition of full employment presented in "Economic Policy and Full Employment" (p. 19n.), opined "in an economy as large as that of the United States, it is probable that at 'full employment' there would be at any one time between 2 and 3 million temporarily unemployed." (About 4.5% of the civilian labor force of 1945-47.) Paul Douglas in 1952 commented on Beveridge's use of a 3% margin for seasonal and transitional unemployment that such a criterion would be "fatal" here. "To use deficit financing to drive unemployment down below 6% is very dangerous. It will tend to do far more harm through inflation than the good it will do by absorbing those who are unemployed from seasonal and transitional causes.") "Economy in the National Government," p. 253.) In February 1955 Arthur Burns, replying to a query from the Joint Economic Committee said: "Although 4% of the labor force is nowadays widely regarded as an approximate measure of the amount of frictional and seasonal unemployment, the Council has not favored this or any other rigid figure to serve as a trigger to governmental action or as a measure of good performance." ("Hearings before the Joint Committee on the Economic Report," 1955 p. 45.)

Probably more useful than any single norm to be striven for is a concept of "peril points" to be avoided, such as 2% unemployment as a warning of inflationary overemployment, overextension of credit, or overinvestment, and 4 or 5% as alerting prompt investigation of causes—whether the sore of disturbance that seems likely to "blow itself out" in due course or, contrariwise, to have a "snowballing" quality or reveal a geographical concentration that points to the need of specific local relief measures or such dispersion as suggests the resort to generally-acting national policies.

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Deferred Compensation For Key Executives

By GEORGE SAUM*
Vice-President, George Fry Associates, Management Consultants

Without going into the tax and legal aspects of deferred compensation, leading management consultant explains why 900 out of 1,087 firms listed on the New York Stock Exchange by 1954 had some form of deferred benefits arrangement for key executives beyond the benefits available to all employees of the firm, instead of direct annual compensation increases. Mr. Saum outlines the different types and basic objectives of such an arrangement, points out various specifications for younger and older key executives, and attributes its popularity to the fact that base compensation has not kept pace with dollar depreciation and increased tax bite.

Basically, deferred compensation is a device designed to combat the combined influence of the graduated income tax and inflation on the take-home pay of the high salaried executive. In a broad sense the term applies to any form of remuneration not paid in the current year.

George Saum

It takes a variety of forms, such as: insurance (group or individual); stock options; pension plans; profit sharing plans; and deferred compensation in the literal sense of the term.

Now we might ask, "Why these embellishments? Why isn't it sufficient to pay a key man a liberal base salary—perhaps with an incentive bonus of some sort—and let it go at that? Why this seemingly paternalistic concern for the future of the individual?" It's not compatible with what we like to believe is our American philosophy.

The reason stems from the combined effect of the graduated income tax and inflation in the past 15 to 20 years which has made it extremely difficult for the man in a high salary bracket to provide for his own future and that of his family. Let me cite some statistics. They come from a recent issue of "Nation's Business" which took them from the Research Institute of America, Inc.

Income taxes and today's devalued dollar have slashed the real worth of executive salaries. Here's what a married executive must earn in 1956 to equal his earnings in 1939:

1939	1956
$10,000	$25,000
15,000	42,000
25,000	88,000
50,000	300,000
100,000	880,000

In the light of these startling comparisons the next question, of course, is whether the base compensation of executives has kept pace with the depreciation of the dollar and the increased tax bite. By no means. I can't prove this statistically but I went back through client files in our office covering the war years and made comparisons of the direct compensation paid on various executive positions at that time with the direct compensation paid today on the same or similar positions. The results were what you would expect — substantial increases, but they came nowhere near making up for the depreciation in real return that took place between 1939 and the present. And I believe the war years, due to salary stabilization, were not substantially different from the 1939 figures.

Narrower Income Spread

Does this mean that the compensation of today's executive is lower in real worth than that of his counterpart of 15 to 20 years ago? It does. Generally speaking, the job that paid $25,000 15 years ago is not paying the $88,000 salary that would be required to make it comparable in 1956. If you were to plot a curve with the two end points of the line representing the lowest paid job and the highest paid job, in most companies the line representing 1956 would be much flatter than the line representing 1939. Comparable lines representing real income would make the 1956 line even flatter. The effects of union pressures, minimum wage laws, overtime pay, and other factors have had a tendency to narrow the spread between rank and file jobs and administrative jobs.

For the most part, this seems to have been accepted as an inevitable consequence of the leveling off, share the wealth, philosophy of some of the political administrations we have had in the past 25 years. To some extent this tendency has been offset in the case of many executives by fringe benefits—either those that are applicable to all employees in the company, or special arrangements that apply to the executive group or selected individuals within that group.

Advantages of Fringe Benefits

These fringe benefits, which are usually in the deferred compensation category, are preferable to direct compensation for several reasons. One is just plain arithmetic—the fact that a dollar received after retirement when other income is gone, or at least reduced, will not be taxed as heavily as it would if received today. Another reason is that by attaching strings to these deferred arrangements that require continued employment in order to benefit, companies reduce personnel turnover.

In the case of the executives we have in mind the tax considerations are dominant. Let me cite an example. Suppose we consider the case of a man 55 years old who is making $50,000 per year in current compensation. If he receives a raise of $10,000 per year, this would mean a gross increase to him of $100,000 in the course of 10 years. In his tax bracket the Government would take more than $61,000 of this increase.

But suppose that instead of taking his $10,000 increase now he could make arrangements with his company to defer the payment of his increase until he is 65 years old. He would then retire from active participation in the business, but would receive, or his family would receive, the $10,000 increase in 10 annual installments. The gross he would get would still be $100,000 but his net would be about $39,000 more on this basis. This assumes, of course, that the $10,000 per year would be his only income and that the tax collector's share consequently would be only $22,000 instead of $61,000. And it is interesting to note that such arrangements can be made without undue penalty or risk from the standpoint of the company. To accomplish this requires careful procedure and qualified legal counsel. In many cases insurance becomes an important feature in funding a plan and then, of course, require competent advice from an insurance man.

Popularity of This Arrangement

Assuming that some form of deferred compensation is so advantageous to the recipient and need not be disadvantageous to the company, why don't all executives have some such arrangements? As a matter of fact, many do. J. K. Lasser and V. Henry Rothschild in an article in the 1955 January-February issue of "The Harvard Business Review" point out "that of the 1,087 companies listed on the New York Stock Exchange as of July 31, 1954, over 900 (approximately 9 out of 10) had in effect some form of arrangement for deferred benefits to designated executives individually or as a group." This does not mean, of course, that all of these companies had arrangements that could be classed as salary continuation plans such as the one I mentioned a moment ago. They undoubtedly took many forms such as those I referred to initially as being characteristic:

Individual or group insurance.
Stock options.
Pension plans.

Profit sharing plans and deferred pay in a literal sense which might better be called salary continuation.

Now we might ask, "Why all this variety? Should we utilize all types? Is there one best plan?"

These questions simply do not lend themselves to a generalized answer. No one method and no combination provides the best answer for all companies or all individuals. The complete answer lies in consideration of the circumstances involved in each individual case.

Objectives to Consider

In order to approach the subject with the proper perspective, I believe we should consider first the basic objectives that a plan of executive compensation should be designed to accomplish, both from the viewpoint of the company and from the viewpoint of the individual. It seems to me that the goals of executive compensation policy should be designed to accomplish these objectives:

First, to attract the caliber of executive needed;

Second, to hold that executive once he is obtained;

Third, to provide an incentive that will induce him to expend his maximum effort and talent in the company's interests.

These three goals admittedly oversimplify the problem but if they can be attained, you will have satisfied the objectives of both the company and the individual. Let's explore them further and consider what it takes to attract, hold, and stimulate a key man.

The first thing it takes is a base salary that is adequate for the position — adequate in the sense that it is reasonably comparable with base salaries paid by other companies for similiar responsibilities and adequate in the sense that it bears an appropriate salary relationship to other positions in the company.

Adequate base salary is mandatory and is the prime requirement of any compensation plan. It is also mandatory to go beyond this point, but how far you go and what method you use becomes optional.

Incentive Bonus

In my opinion, the second most important element in top executive compensation is some form of incentive. Ideally, such arrangement should be set up so that the reward is geared to some understandable measure of performance. In top echelons corporate profit can usually serve as the measure, but as you go down the organizational scale some other basis, such as divisional or departmental performance may be more appropriate. Whatever the basis, whether related to measurable results or based on arbitrary judgment, some form of incentive bonus is desirable.

Now let's take a closer look at those portions of the executive compensation package that are in the deferred category. All these involve questions and considera-

*An address by Mr. Saum before the combined meeting of the Chicago Association of Commerce & Industry and Chicago Chapter of Chartered Life Underwriters.

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tions that cannot be answered categorically.

In the first place it should be recognized that no single component in an executive compensation plan can make it a good plan, but any one component can make it an unsatisfactory plan. From a psychological standpoint one poor feature of a plan may overshadow all the good features. Consequently, it is wise to guard against the common tendency to assume that some one feature of deferred compensation is good — that it will provide the clincher that will attract, hold, and stimulate the executive group.

Most companies already have some features of deferred compensation that apply to all employees such as a pension plan, insurance plan or profit-sharing plans. Generally speaking, these frequently are not adequate at the organizational levels we have in mind. We are considering in this discussion deferred compensation for key executives. To me this means the plus features of such compensation that are available to all the executive group or to individuals within this group. It takes cold, hard appraisal to decide what these plus features should be and to avoid being trapped.

Keeping the Younger and Older Executive

One of the most important things to recognize is that the younger man, who has not reached a level of current compensation that makes further increases relatively insignificant because of his tax bracket, is not going to be interested in a deferred increase in lieu of a current increase. This is true even though the latter may have a much greater ultimate value. For example, a man 40 years old with a salary of $25,000 usually would much prefer a $5,000 salary increase to some long deferred benefit that might be worth $7,500. On the other hand, a man 55 years old making $75,000 probably would be more interested in a deferred benefit that offered real tax advantages and that will become available 10 years from now.

And so, as far as the executive group as a whole is concerned, it is unlikely in most companies that a substantial share of total compensation should be in the deferred category. Good base pay and sound incentive bonuses plus whatever standard fringe benefits the company provides for all employees should be sufficient to attract, hold, and provide incentive for at least the younger executives in most organizations.

Who Should Get Additional Deferred Pay?

The conclusion I draw is that deferred compensation for key executives, beyond the benefits available to all employees of the company, should be provided in substantial amounts only to the key man who meets the following specifications:

(1) He should be a man whose continuing service is vital to the business.

(2) He should be at a salary level that makes further increases in current compensation of relative insignificance because of his tax bracket.

(3) He should be old enough so that realization of his deferred benefits is not so remote as to nullify their incentive value. As Vice-President Nixon is reported to have said when informed that giving up his Senate seat meant forsaking a $250 per month pension, "If men of my age (which I believe was about 40 at the time) start worrying about pensions, things will have come to a pretty pass."

Salary Continuation Plan

As to the type of deferred compensation that should be utilized for men who fit this category, there are the several alternatives already mentioned. Any one of them can be used effectively under the right circumstances. However, if I were cornered and obliged to select one form of deferred compensation that I considered most generally acceptable and effective, I would pick a salary continuation plan for these reasons:

(1) With competent legal and insurance counsel, it can be set up so that both the company and the individual get maximum return from each dollar invested.

(2) It is specific and not subject to the hazards of uncontrollable factors that are present in stock option and profit sharing plans.

(3) It provides a means of retaining the interest and securing the advisory services of a valuable man after his retirement, and can provide assurance that his services cannot be obtained by competitors.

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OMAHA, Neb. — Harold M. Smith has joined the staff of Smith, Polian & Co., Omaha National Bank Building.

Blair & Co. Inc. Now NYSE Member

The banking firm of Blair & Co. Incorporated, 44 Wall Street, New York, founded in 1890, has been admitted to membership in the New York Stock Exchange, it has been announced. For several decades the firm was publicly owned and, therefore, not qualified for membership. On Oct. 1, 1956 the corporation reverted to private ownership by the present management.

Joshua A. Davis Emmons Bryant

It was also announced that Blair & Co. has made additions to the official personnel. Oliver DeG. Vanderbilt, 3rd, of Philadelphia, has been elected Executive Vice-President. He was previously Vice-President and Director of the Baldwin-Lima-Hamilton Corporation. Lester Osterman Jr. and Herbert L. Hutner, both formerly partners in the Stock Exchange firm of Osterman and Hutner, have joined Blair as Vice-Presidents.

Blair & Co. maintains branch offices in 21 cities and will shortly move to the new structure at 20 Broad Street, site of the original Blair building.

Other senior officers of the company are Joshua A. Davis, Chairman; Emmons Bryant, President; James J. Sullivan, Executive Vice-President; Frank Lynch, George E. Nixdorf and Edwin A. Bueltman, Vice-Presidents.

Following a long, successful career, John I. Blair, one of the greatest pioneers in banking and railroad construction this country has ever known, founded the firm of Blair & Co., a co-partnership, in 1890.

This partnership subsequently became identified in an important way with the financing of many important railroad systems in the United States and Canada. Blair was the first house to develop the equipment trust certificate into a safe investment.

In the early 1890's, when one-fourth of the railroad mileage in this country was in bankruptcy, the equipment trust certificates stood the test, and today are considered gilt-edged investments, possessing attractive features not found anywhere else.

Blair & Co., with William Salomon & Co., and William A. Read & Co., helped to build the Western Pacific and, with Kuhn, Loeb & Co., aided in financing the Missouri Pacific. They were the bankers for the St. Louis Southwestern and the Kansas City, Fort Scott & Memphis. The firm saved the Houston, East and West Texas, built it up, and sold it to the Southern Pacific. It also financed and finally sold the Cleveland, Lorain & Wheeling Railway to the Baltimore Ohio Railroad.

In the early 1900's, at the outset of the great industrial age, the Blair partners were identified with the birth and development of many of our largest industrial concerns. Among them were Otis Elevator, Jones & Laughlin Steel, Pressed Steel Car, Royal Baking Powder Co., Republic Iron and Steel Co., Colorado Fuel and Iron Co., and Swift & Co. The firm also had a hand in organizing the Texas Co., United States Rubber, and National Biscuit Co.

In 1920, the partnership was combined with William Salomon & Co., and incorporated under the name of Blair & Co., Inc. The banking house of William Salomon & Co., established in 1903, had been one of the most active international houses of issue. After the consolidation, the corporation played a prominent part in the development of the oil industry. Among the companies whose securities were underwritten by the Blair organization were Standard Oil of N. Y., Phillips Petroleum Co., Standard Oil of Kentucky and Atlantic Refining Co.

During the 1920's, foreign financing came into the foreground and Blair & Co., Inc., was active in this field in a very large way. They were one of the principal issuers of loans floated in the American market for the Governments of Canada, Argentina, Chile, Colombia, Jugo Slavia and Norway, besides numerous provincial and municipal issues, including Zurich, Cologne, Rio de Janeiro, City of Sao Paulo and Antioquia, as well as the Italian hydro-electric issue of Italian Public Utility Credit Institute.

Blair also became one of the largest municipal houses in Wall Street, and purchased many issues considered large for that particular period, including the first issue of the Chicago Sanitary District bonds.

In 1929, Blair merged with the securities affiliate of the Bank of America, New York (Bancamerica Corporation) and the name became Bancamerica-Blair for a number of years. During the early 1930's, when there was a lull in corporate financing, the firm devoted the largest part of its activities to the municipal business. When corporate financing accelerated in the late 1930's, Blair again expanded, continuing on through the 1940's when equity financing, as well as revenue bond underwriting, played important roles in the economy.

In February, 1939, the corporation changed its name back to its original form of Blair & Co., Inc., continuing to operate under that name until December, 1947. At that time, due to the corporation having acquired various subsidiaries, it changed its name to Blair Holdings Corporation and organized a new subsidiary under the name of Blair & Co., Inc., which acquired the securities business of Blair Holdings Corporation.

The business of E. H. Rollins & Sons, Incorporated (organized originally in 1876), was acquired by Blair & Co., Inc. in January, 1950, and the name of the enlarged organization became Blair, Rollins & Co., Incorporated. In August, 1954, when the firms of Ames, Emerich & Co. Inc. (Chicago) and Geyer & Co., Incorporated (New York) insurance and bank stock specialists, were purchased by the corporation, the name was again changed, this time to Blair & Co., Incorporated.

With McDonald Co.

COLUMBUS, Ohio — Philip B. Drake is now with McDonald & Company, 50 West Broad Street. He was formerly with Vercoe & Co.

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Continued from first page

What's Ahead in the Securities Market

the problem of raising the huge amount of capital needed to continue our growing expansion over the next decade. I am going to tell you that interest rates, which have risen sharply in the past two years, will continue to remain high in comparison with the past 20 years of "easy money" and might even move higher.

I am going to tell you that the phrase "what is the stock market going to do" is outmoded and meaningless because the market, dominated by the buying and selling of institutional investors and professional managers, no longer moves as a unit and, therefore, the analysis and study of individual companies and industries will prove far more rewarding than an attempt to anticipate the broad movements of the various stock market averages. I am going to tell you that while the stock market is not greatly overvalued at present price levels, neither is it particularly undervalued except in the case of some individual securities and that probably a further resting and consolidating period similar to 1951-1953 is needed.

Dynamic Forces

Briefly, that is what I am going to tell you. Now, I will tell you that the powerful forces that have brought about the dynamic increase in economic activity since 1946 are many in number. The primary motivating force in 1946 was the pent-up demand created by 10 years of depression and five years of World War II when civilian production was curtailed. This demand was further built up by a steady advance in wages. Since 1940, the nation's wage rate has virtually tripled. This has resulted in a tremendous increase in the standard of living particularly by families formerly in the low income brackets. Average weekly earnings for production workers in manufacturing industries were $25.20 in 1940. The most recent average was at a level of over $82 weekly. According to David L. Babson & Co., investment counsel of Boston, Mass., discretionary income (after taxes, food, clothing, rent and other basic living expenses) was $26 billion before the war. Today it is well over $160 billion or six times as high. In pre-war days only one family in every 10—or less than four million—had any optional purchasing power. Today over forty million households—or seven in every 10—have incomes in excess of basic living needs.[1]

The vast and largely unexpected gain in population since 1946 has created a huge demand for all types of construction that go to make up communities — hospitals, churches, schools, roads, water and sewer systems. Major General Bradgon, President Eisenhower's public works advisor, reported that state and local governments are falling behind each year in meeting the $200 billion backlog of roads, education, water and sewerage requirements and he stated that these governmental units will have to spend $20.4 billion annually—twice as much as is now spent—in order to catch up by 1964.[2]

In the field of defense spending it appears that the present high expenditures will continue and will constitute a large portion of the government's budget. There seems to be more reason to expect a pick-up in defense spending than a letdown.

Enormous Spending for New Plant and Equipment

All of these demand factors have brought about an enormous increase in spending for new plant and equipment. Business expenditures on new plant and equipment are estimated at between $35 billion and $36 billion for 1956. This is up from $19.3 billion in 1949.

The demand for new and more efficient plants to offset the increase in wage rates has been further increased by the growing shortage of workers because of the low birth rates of the 1930's. Whereas the civilian working force constituted 42% of the population before World War II, it is now down to 40% and by 1965 is likely to be only 38%. Projections of the age composition of the 1965 population indicate that the number of dependents (those under 18 and over 65) will increase twice as fast as the number of workers (18-65 age groups).[1]

More important, however, to those who are interested in developing the managers, the supervisory personnel, the technical experts, the specialists of tomorrow, is the age range of 25 to 45. Against a total population increase of 28 million or 17% by 1965, there will be an actual decrease of 136,000 people in the age range between 26 to 45. The demands for personnel in this critical age group to carry the tremendously increased burdens of our economy will be intensified.[3] With labor unions pressing for a 35-hour week and even a 30-hour week and with basic wage rates largely beyond its control, management can only keep its labor costs in line and maintain its competitive position in only one way: by improving productivity which means not only using more machines but contriving new ones to do the work now done by men. These underlying forces have been responsible for expenditures of over $145 billion for new plant and equipment over the past five years.

The demand for labor-saving equipment and associated goods has gained so much momentum that it may well be the feature of industrial activity over the next two decades. Research activity is the most dynamic single force in broadening the market for machines and equipment. The country is now spending $6 billion on research activities vs. $2 billion in 1947 and less than one-half billion dollars as recently as 1940. The number of engineers and scientists engaged in research and development work is over 200,000 —roughly five times the number only 15 years ago. A large part of America's current research activities is concentrated in a few hundred companies in virtually a handful of industries. Out of these vast research efforts are coming the new labor-saving devices—the transfer machines, computers, conveyors, construction equipment, control instruments, continuous miners—which lightens man's labor-load and even do some of his thinking for him.

Roughly three-quarters of corporate research in this country is accounted for by the electrical equipment, chemical and related fields, aeronautics, scientific instruments, machinery and petroleum groups. The correlation between the growth in research and the demand for equipment can be demonstrated by the fact that outlays since 1929 for new technological instruments coming from or used by the industries mentioned above has grown three times faster than capital spending for the economy as a whole and these expenditures account for four-fifths of the rise in such spending in recent years.

As the nation's stock of labor-saving machinery increases, the replacement requirements for such goods automatically rises. Machinery installed after World War II is already growing old. The Machinery and Allied Products Institute estimates that the annual rate of such wear is now running in excess of $10 billion at current prices. Whereas only 32% of the dollars spent on tools and machinery were for replacement purposes in 1948, the figure has grown to 47% today. Meanwhile, technology and competition are constantly increasing the rate of obsolescence.[1] New materials, new products or new processes discovered by one company forces its competitors to obtain like or better equipment. Any company which allows its equipment to become obsolete is doomed.

As a result of the tremendous increases in new and more efficient plant and processes, the output per worker has increased sharply even though it has not increased as fast as wage rates. It would have been impossible to produce the gross national product of $412 billion reached in 1956 without the productive equipment installed in recent years. It would have required 60 million more workers to produce this amount of goods at 1929 rates of man-hour productivity and 20 million more workers at 1947 rates of man-hour productivity. It will require still greater gains in productivity to achieve the 1965 projections of $550 to $565 billion in gross national product.[1]

Financing the Boom

The major question today is how we are going to finance this tremendous capital goods boom without creating more inflationary pressures on the economy. It is estimated that American corporations and governmental agencies have to raise capital of $360-$400 billion in the next decade to achieve a 1965 goal of $565 billion in gross national product. The enormity of this amount will be realized when we consider that at end of 1955, the total net debt in the United States was $658 billion of which $388 billion was private debt, $232 billion Federal Government debt and $38 billion in State and Government debt.

The question is who is going to account for this $360-$400 billion in debt to be created in the next 10 years? It is a question much too complicated to be answered in the short period of time allowed for this address, but it would appear quite evident that part of it will be financed by Federal and local Governments unless private borrowers increase their debt at a much greater rate than they increase their income. Some progress in this direction might be made if the Goverment revised its archaic tax laws relating to depreciation allowances for replacement of worn-out equipment and for new equipment for expanding to meet a growing economy. Some change in Government thinking may also be required regarding a balanced budget and a reduction in debt. Debt has borne a fairly definite relationship to gross national product in the past as has also GNP to money supply. It seems improbable that our economy can expand at the anticipated rate without a further increase in both debt and money supply.

A shift to equity financing would relieve this situation considerably and would reduce the amount needed for debt financing. There has been a definite upward trend in the direction of equity financing. Pension funds, mutual funds, colleges and some insurance companies are increasing their portion of assets invested in common stocks. However, a change in tax laws appears needed to ac-

1 "Investing for Tomorrow" — David L. Babson & Co., Investment Counsel, Boston, Mass.

2 Commercial & Financial Chronicle Dec. 13, 1956.

3 An address by Norman Strouse, President, J. Walter Thompson Co. entitled: "Velocity Is the New Dimension."

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centuate this trend. Tax laws make debt financing more attractive for industry and it appears difficult to see a **major** shift into equities by most insurance companies, banks and savings and loan institutions.

It is in the field of individual investing where great progress might be made if a revision of our present tax laws were possible. Keith Funston, President of the New York Stock Exchange, has stated this point admirably in his recent address.[4] "Aiding the American investor with a better investment climate." He said—"Like all things of value, this future has a price tag. It reads: $360 billion. This is the amount of capital American corporations will have to raise—the financial energy they must generate — to acquire just the plant capacity needed to meet 1965 goals.

"Of this $360 billion, some $60 billion should be raised through the sale of new stock. This is an average of $6 billion a year over the next decade, if our future is to be financed soundly. You might well wonder, where will this kind of money come from? Well, institutional investors can be expected to supply about half of it. But the remaining $30 billion should come directly from us, the American people. And this represents a hitherto unknown scale of direct individual investments in equity securities—that is in common stocks. It is fully three times the rate of recent years."

The Pressing Tax Problem

"In the financial community, where we are anxious to encourage equity financing and broader shareownership, the tax problem has never seemed more pressing or more immediate. Moreover, we cannot afford a lag in meeting it, or in preparing for the future. Someone has got to worry about the investor — and right now. In his behalf, we must take a critical look at existing tax laws, study their effect on the investment climate and determine whether they encourage the flow of capital or dam it up.

"What burdens do investors bear? What restrictions confine them? Why, in other words, should we be worried about the investor?

"Since stock is essentially a share in corporate earning power, there are only two ways it can return a profit: It pays dividends or its value in the market increases. In America today, we barricade both these avenues to risk-taking—by leveling a double tax on corporate dividends and by imposing a restrictive and inflexible tax on capital gains realized from the sale of stock.

"Double taxation on dividends has a double-barreled effect. Apart from its inherent injustice it places shareholders at a disadvantage compared to the owners of some 3.5 million unincorporated businesses which pay only a personal income tax. It places on corporations the burden of earning twice as much in order to put a dollar in a shareowner's pocket as would be required if debt financing such as bonds and loans were used.

"But the real danger in double taxation lies ahead—in the prospect that investors may be discouraged away from stocks, and companies forced into financing their expansion by relying too heavily on bonds, or debt securities.

"The bite taken from dividends, however, is only half the problem. An even greater investment obstacle is the capital gains tax, one of the harshest penalties on success this country has ever devised. This tax imposes a levy of up to 25% on the gains realized from the sale of securities held over six months. The effect of the tax poses a very crucial question. It is whether the expansion goals we have set for ourselves can be met if we continue to choke the impulse to venture and to gain. The capital gains tax really does just this.

"Because it is self-imposed, it can be avoided by taking no action. It therefore locks the present investor in, and reduces the pool of risk capital available for newer and more venturesome projects. It breeds inertia and inaction, instead of providing greater incentives and greater mobility.

"As of this moment, American investors have over $200 billion of unrealized capital gains. This is potential growth money that is to a great extent locked-in. Investors are unwillingly substituting the calendar for good judgment and holding some stocks long after they really want to. They are inadvertently diminishing supplies of available stock, intensifying price movements, and being discouraged from switching into new ventures.

"What, then, is the solution? The most obvious is the elimination of the capital gains tax. This is perhaps the most constructive and permanent step that could be taken to ease the plight of the locked-in investor and encourage a renewed flow of capital. And this solution is far less drastic than it may sound. Of 55 nations throughout the world that we have surveyed, 46 countries—including the financially sophisticated nations of Canada, Belgium, Switzerland, Great Britain and France—impose no capital gains penalties on the public's profits from securities transactions. Faced with money-raising problems similar to our own, they recognize its harsh and destructive nature."

To enact these changes, the opposition of labor as well as Government must be overcome. Labor's opposition is largely emotional. It can be proved that a better investment climate for equities will help provide the $10,000 average cost of providing equipment for each new additional worker. Perhaps increased stock ownership by smaller investors will also help this situation.

Interest Rate Rise

The unprecedented demand for money to finance our expanding economy has caused a sharp rise in interest rates and a concomitant drop in bond prices. Moody's corporate bond yield on AAA bonds has advanced from an average yield of 2.90% in 1954 to a recent high of 3.74% or a 30% rise in the cost of borrowing for highest quality companies over a two-year period. As we look at the continued demands for capital over the next decade, it appears difficult to visualize a sharp drop in interest rates. It rather appears that with a background of a Federal Reserve policy of both maintaining full employment and also the purchasing power of the dollar, that interest rates, subject to interruptions during mild business recessions, will move gradually higher over the years. They are high today only in relation to the "easy money" days of the 1930's, and 1940's when an entirely different background existed. During the 1920's, the yield on Moody's AAA Bond Index averaged 5%, and in periods before that interest rates were higher than they are today.

Inflationary Pressures

Most of the factors we have enumerated should result in continued inflationary pressure. It is hoped that the Federal Reserve Board will continue to use its power of money control to take some of the inflationary steam out of the economy. But in its struggle to maintain a stable dollar, the Board has no control over the most important ingredient of prices—wages. Sumner Schlicter of Harvard University summed this up rather nicely in a recent address to the New York Society of Security Analysts.[5] He said:

"All in all, the trends that I have described must be regarded as favorable—they help improve the economy. The one exception, of course, is the creeping rise in prices. It would, of course, be nice if prices would not rise, but the dire predictions that one reads every now and then about the consequences of a slow inflation strike me as ridiculous, particularly when the inflation is initiated by a rise in labor costs to which commodity prices more or less sluggishly adjust themselves. In this imperfect world we are often compelled to choose between evils, and if the choice is between enough unemployment to halt the rise in labor costs, direct controls of wages and prices and creeping inflation, let us by all means have the creeping inflation. It is the least of the three evils."

The Stock Market and Selectivity

That brings us up to the stock market. As I said earlier, the stock market no longer moves as a unit. There are several reasons for this. I will mention two. For the first, I will again quote Sumner Schlicter.[5] "But these planned efforts to limit the business cycle are considerably less important than developments that have not been originated for the purpose of affecting the business cycle. Indeed, some of them have not been planned at all. What are some of these changes? The first is the increase in the number of important industries. Among the industries that have come into existence or that have grown greatly in importance during the last 20 or 30 years are the airplane industry, commercial aviation, the natural gas industry, the plastics industry, the various parts of the electronics industry, the aluminum industry, the chemical industry, the road building industry, the air-conditioning industry, the frozen foods industry, and various industries making durable consumer goods.

"An increase in the number of industries tends to dampen the effects of any favorable or unfavorable developments upon the economy because such developments affect different industries in different degrees and at different times. The point is well illustrated by the effects of inventory adjustments. From time to time some industries are bound to make mistakes in judging markets and to allow their inventories to become too large or too small relative to sales. In an economy of a few industries, the efforts to correct such mistakes may be quite disturbing to the entire economy. The larger the number of industries in the economy, the less seriously will the economy be disturbed (stimulated or depressed) by the efforts of some industries to restore the best ratio between inventories and sales. For example, during the last year, when the automobile industry made the mistake of accumulating too large inventories and then went through the painful process of reducing them, the effects on the economy were remarkably small."

The second reason is the growing role of the institutional investor. The sharp increase since the war in the number of families with sufficient incomes to create savings is an important reason for this trend. These new savers, unfamiliar with direct investing, are channeling their surplus funds into life insurance companies, savings banks, loan associations and mutual funds to be collectively invested by professional management. There has also been widespread adoption of pension programs, profit-sharing plans, etc. The professional managers who control these funds are primarily interested in dominant companies with financial resources adequate to maintain the huge research programs necessary for continued progress. These professional managers are now the

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4 Commercial & Financial Chronicle, Dec. 27, 1953.

5 Commercial & Financial Chronicle, Nov. 15, 1956.

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What's Ahead in the Securities Market

dominating force in determining market price, not the individual investor or trader.

A More Intelligent Market

These factors have combined to make for a more intelligent market in which the outlook for individual companies and industries is more important than the broad general movement of prices. It has resulted in extreme selectivity. The Dow-Jones Industrial Average closed 1956 at a level about 3% above the 1955 closing but during 1956 quite a few stocks advanced over 50% and quite a few suffered sharp declines. Many issues today are still below levels reached 10 years or more ago in 1946 despite the fact that the Dow-Jones average of 30 leading industrial companies advanced 177% during the same period. This selectivity and diversity will continue.

The market, as measured by the averages, held in an extremely narrow trading range during 1956. The high of 524.37 in the Dow-Jones Industrial Average was reached in April. The low of 458.21 was reached in January but closely tested on three other occasions during the year. Despite the wide moves in individual issues, the trading range of 12.7% for the Dow-Jones Industrial Average was narrowest interyear price move since 1897. Yield on the equities in the industrial average have held relatively steady for the past two years with a range of from roughly 4% to 5%. Price-to-earnings ratios have also remained relatively stable for the same time period. At the year-end, the P/E ratio was approximately 14.3. ($14.30 to buy a $1.00 of earnings.) These indices are not particularly high as compared with past ratios but they are certainly not low.

In terms of central or normal value, the market is in the upper range of an area of high investor confidence with investors willing to pay a high price for equities because of the very favorable long-term outlook. When the stock market is in a high investor confidence area it is, of course, vulnerable to a sudden change in the confidence factor, temporary as that change may be. The possibility of such a temporary development is cited in the December issue of the "monthly bank letter" of the First National City Bank of New York.[6] Which reads —"the basic problem of the capital goods boom is simply stated, but not as simply answered: are we trying to do too much too fast? Efforts to grow too quickly have unstabilizing effects: they lead to mistakes, miscalculations, and maladjustments. Carried to an extreme, they may end in lack of balance between productive facilities and consumer wants and in overcapacity in specific lines.

"When the demand for capital exceeds the rate of saving, and productive facilities for capital goods are as fully engaged as they are now, inflationary pressures result. Some capital demand, some borrowings, and some projects must be postponed. At the same time, the community at large must be induced to lay aside more of its income, abstaining from consumption in order to finance growth. The solution of the problem requires attack from both sides. . . ."

[6] Commercial & Financial Chronicle, Dec. 20, 1956.

Extreme Irregularity Possible

The current uncertainties may result in an extremely irregular stock market over the coming year. The majority of recent economic forecasts indicate a higher level of GNP in 1957, but probably a temporarily lower level of profit margins that may hold down earnings on the Dow-Jones Industrials to about the same level as both 1955 and 1956. This should result in a prolongation of the trading range in the averages that has already prevailed since mid-1955.

Looking at the stock market from a strictly technical viewpoint, an approach in which I have attempted to specialize, I find that my graphs on the Dow-Jones Industrial Average indicate a rather wide **potential** on both sides of the market. The closing 1956 level was 500. The possible upside **potential** of the technical pattern formed over the past six months is 580 to 600. The downside **potential**, on the other hand, is an initial 440-420 followed by a possible 360. A speculative advance to 600 would be hardly justified at this juncture unless earnings move much higher in 1957 than is currently anticipated. Probably the most dangerous thing that could occur, at this time, from a technical viewpoint, would be an unjustified over-all speculative boom. If this occurs it might set back our long-term schedule by several years. On the other hand, a decline to as low as 360 also seems improbable considering the extremely constructive long-term outlook.

The extremes of 600 and 360 also appear improbable when the graphs of 1,500 individual issues are examined. These graphs of individual issues show a probable continuation of the diverse price movements that have been the pattern over a considerable period of time. The technical patterns of individual stocks are a combination of excellent, good, fair, neutral, mediocre, poor and unfavorable. The sum of all of these is an average that is meaningless when applied to individual issues. This diversity is not new and it will most likely continue for the foreseeable future. In view of this probability, I envisage neither a sharp advance nor a sharp decline, but rather a wide trading area in the Dow-Jones Industrial Average. The 1957 range will probably be wider than the 524-458 range of 1956. My projection would be 530-430 with individual issues showing both above and below average price action.

Favored Groups

The groups I favor for 1957 would include air-conditioning, aircraft, airlines, cement, coal, drug, electrical equipment, machinery, metals, natural gas, oil and steel. It will be noted that most of these groups are either in defense, labor-saving or wealth-in-the-ground groups.

I believe that common stocks will continue to be more attractive vehicles for long-term investment for the individual investor than bonds even though the recent rise in bond yields has placed bonds in a more competitive position with stocks. However, with the possible exception of investors in high tax brackets who can buy tax-exempt municipals, the return on high-grade bonds over the past 10 years has not kept up with the depreciation of the dollar.

From the monthly letter of the First National City Bank:

"Since World War II, slow-burning inflation has been the order of the day, afflicting almost the entire world. This is due mainly to political pressures to sustain full employment at constantly rising wage levels. One hears more and more competent observers projecting this drift indefinitely into the future, warning that 'we are in a long-term cycle of inflation' or that 'we shall experience a rising price level for the rest of our lives.' There may be interruptions, we are told, and the average rate of rise in prices will be modest—possibly no more than 2 or 3% a year.

"Two or 3% a year, on the average, has seemed quite harmless to many political leaders and economists. It does not seem harmless to savers trying to accumulate resources for retirement, education of their children, and family emergencies. They have been alerted to their perils by noting how their past savings have depreciated in real value and by the many predictions that the future will hold more of the same. They want better returns, and governments, with greater or less reluctance, have submitted to their demands and let interest rates rise, recognizing that a nation that systematically steals away the citizens' savings is inviting an uncontrollable holocaust of inflation.

"In most countries, the saver of 10 years ago has suffered serious losses in purchasing power: rather more than indicated since interest income is often subject to taxation that waters down the rate and retards the working of compound interest. In the United States, for example, assume a capital sum invested 10 years ago at 3.4%, with all interest reinvested at the same rate. This sum would have grown enough in nominal value to keep up with the average rate of depreciation of the dollar only if the interest were free of income tax. A person in the 20% income tax bracket would have required a taxable interest rate of 4.3%: in a 40% bracket 5.7%: in an 80% bracket 17%. And all this simply to hold even with the depreciation of the dollar and avoid actual loss."

Now I am going to tell you what I told you. I told you that the long range basic forces continue favorable. I told you that a more realistic approach must be taken by business, labor and government to the problem of raising the huge amount of capital needed to continue our growing expansion. I told you that interest rates will remain high and might even move higher over the longer term, even though some near term stabilization is indicated. I told you that the stock market no longer moves as a unit and is a much more intelligent market than those of the past and that the study and analysis of individual issues will be much more rewarding than an attempt to measure the broad swings of the various averages. I told you that I look for neither a broad advance nor a broad decline in the stock market in 1957, but rather a trading range a bit broader than in 1956 but probably holding in an area bounded by 530-430 as compared to the 524-458 range of 1956. However, individual issues will show both above and below average price action during 1957. I told you that I believe common stocks will be a more attractive investment medium than bonds over the longer term.

The Outlook Over the Very Long Term

In conclusion, I believe the long term outlook for both business and the stock market is extremely constructive over the next decade and I would like to close by quoting from a recent address by Murray Shields senior partner of Mackay-Shields Associates of New York.[7]

"So much for the outlook for the year 1957. The longe-range outlook—say for the next decade as a whole—is for record breaking expansion. A glorious new America is on the drawing boards of our builders, in the pilot plant stage in the laboratories of our research scientists and in the solid planning of our aggressive business leaders. The surge in population is almost certain to continue for many, many years and starting in the early sixties, the rate of family formation will spurt upward. Our $6 billion per annum outlays for research will produce a whole new series of huge new industries and a long list of fabulous new ways of pro-

[7] Commercial & Financial Chronicle, Nov. 8, 1956.

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State and Municipal Bonds	13,299,560.82
Other Bonds and Securities	4,332,956.90
Loans and Discounts	164,582,378.54
Banking Premises Owned	4,508,713.62
Income Accrued Receivable and Prepaid Expense	1,099,959.13
Other Resources	1,045,090.52
TOTAL	$378,384,649.46

LIABILITIES

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Surplus	11,875,000.00	
Undivided Profits	4,211,345.82	
Total Capital Funds		$ 27,961,345.82
Reserve for Dividends, Interest, Taxes, etc.		4,041,712.64
DEPOSITS:		
*Commercial, Bank and Savings		340,743,071.41
U. S. Government		5,558,511.16
Other Liabilities		80,008.43
TOTAL		$378,384,649.46

*Includes $6,753,931.90 of Trust Money on deposit in the Banking Department, which under the provisions of the Banking Law of the State of Ohio, Section 1107.12 is a preferred claim against the assets of the Bank.

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ducing goods at lower and lower real cost so that markets can be widened with consumption and production increased correspondingly.

"The road ahead will be a bumpy one and there will be interludes of recession and of merciless competition. But the prospect is that by 1966 our gross national product will be reaching for $690 billion in 1956 dollars which would mean that we would attain new standards of economic wellbeing not ever dreamed of by even our wildest optimists."

Robert H. Huff & Co. Formed in Los Angeles

LOS ANGELES, Calif.—Robert H. Huff & Co. has been formed with offices at 210 West Seventh Street to act as wholesale dealers and traders in insurance stocks.

Officers of the new firm are Robert H. Huff, President; A. W. McCready, Jr., Vice-President; and Ellenore Cardno, Secretary. Mr. Huff, who has been specializing in insurance issues for over 25 years, was formerly Vice-President of Fewel & Co. Mr. McCready has recently been with Revel Miller & Co. and prior thereto was a partner of Walter C. Gorey Co.

Two With Marlo

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John D. Arena and Ralph F. Vander Meulen are now affiliated with Marlo Investments, 939 Oakridge Avenue.

R. M. Hicks Opens

AUSTIN, Tex.—R. Miller Hicks has opened offices in the Littlefield Building to engage in a securities business.

Detroit Stock Exch. Elects 1957 Officers

DETROIT, Mich.—The Detroit Stock Exchange announces the election of the following officers for 1957:

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

Warren A. Wood

Henry Vander Voort

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

Treasurer: Henry VanderVoort, Nauman, McFawn & Co.

All three were re-elected to office.

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

Governors elected to the Board for a three-year term:

Walter A. Bayer of F. J. Winkler Company; Lawrence H. Dilworth of R. C. O'Donnell & Company; Warren A. Wood of Baker, Simonds & Company.

The other Governors making up the Board are Charles E. Exley of Charles A. Parcells & Company; George A. McDowell of Straus, Blosser & McDowell and Henry VanderVoort of Nauman, McFawn & Company, whose terms expire in 1958; Harry A. McDonald, Jr., of McDonald, Moore & Company; Roy W. Neil of Andrew C. Reid & Company, and John K. Roney of Wm. C. Roney & Company, whose terms expire in 1959, Edward C. P. Davis and William A. Walker of Dickinson, Wright, Davis, McKean & Cudlip will continue as Counsel and Edwin Bower & White, Bower & Prevo will continue as Auditor.

Elected to the Nominating Committee for 1957 are:

Charles B. Crouse of S. R. Livingstone, Crouse & Company; Samuel Hague of Smith, Hague & Company; Peter M. Macpherson; George A. Miller, Ferriss, Wagner & Miller; Andrew C. Reid, Andrew C. Reid & Company.

Rambin Sales Mgr. Of Mun. Securities

DALLAS, Tex.—Municipal Securities Company, First National Bank Building, have announced the appointment of James C. Rambin as Manager of their Sales Department.

James C. Rambin

Since returning from active duty in the Air Force during the Korean War, Mr. Rambin served in the capacity of Municipal Sales Manager of Institutional accounts in the Dallas, Fort Worth area for Rauscher, Pierce & Co. Mr. Rambin is a native of Port Arthur and attended Tulane University, Centenary College in Shreveport and did post-graduate work in S.M.U. Law School at T.C.U. and Ohio State University Graduate School of Business.

Municipal Securities Company, which was organized in September 1956 with a capitalization of over $1½ million, specializes in the underwriting and distribution of general market Texas Municipal Bonds, and in Over the Counter Stocks and Corporate Private Placement Loans.

M. J. Hickey III to Head Red Cross Drive Div.

CHICAGO, Ill.—Matthew J. Hickey, III, Vice-President of Hickey and Company, Inc., will head the finance section of the 1957 Red Cross Fund campaign, Gordon R. Corey, Business Division Chairman of the campaign announced today.

M. J. Hickey, III

Mr. Hickey held the same position during the 1955 campaign. His group will carry the Red Cross appeal to employees of 1,800 banks, finance and insurance companies, brokerage and real estate firms.

A 1950 graduate of Loyola University, Mr. Hickey is also active in Community Fund, Heart Fund, Boy Scouts, and Junior Achievement activities. He is single and lives at 921 Private Road, Winnetka.

Named to assist Mr. Hickey as Committee Chairmen are Paul J. Miller, Assistant Vice-President Harris Trust and Savings Bank, bank committee; William J. Roberts, syndicate Manager Glore, Forgan and Company, and Donald R. Stroben, Research Analyst, Glore, Forgan and Company, Co-Chairmen of bonds committee; Earl E. Matthews, Vice-President Citizens Loan Corporation, consumer finance committee; Eugene E. Roth, James Talcott, Inc., finance companies committee; C. Robert O'Boyle, Assistant Vice-President Marsh and McLennan, Inc., insurance committee; Warner G. Baird, Jr., Baird and Warner, Inc., real estate committee; and Robert Spicer, Bache and Company, stocks and grains committee.

Robert J. Besson

Robert J. Besson, associated with Carl M. Loeb, Rhoades & Co., passed away Jan. 8 at the age of 59.

Greene & Co. Install Wire to Morgan & Co.

Greene and Company, 37 Wall Street, New York City, announces the installation of a direct private wire to Morgan and Company, Los Angeles, California, members of the Pacific Coast Stock Exchange, with facilities on a nation-wide scale.

A. L. Wynne Opens

BROOKLYN, N. Y. — Allen L. Wynne is conducting a securities business from offices at 66 Court Street.

Field, Richards & Co.

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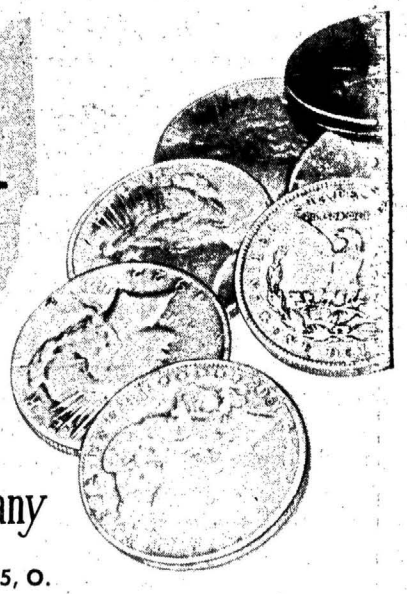

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Business and Finance Speaks After the Turn of the Year

Continued from first page

Of the cases filed in 1956, 29 were civil and 17 criminal cases. The important decision to proceed by civil or criminal action, or by both, is based upon considerations of what will, in the light of the particular acts involved, produce the most effective enforcement of the law and its goals and of what is fair to the defendant. Criminal proceedings are generally limited to obvious forms of per se illegality. Where an injunction appears necessary, in addition to the deterrent element in punishment, and where further steps must be taken to dissipate the restraint and its effects, civil proceedings will be instituted.

Truly effective antitrust enforcement, however, does not end with entry of judgments prohibiting or directing specific behavior unless they are obeyed. In the 66 years since the Sherman Act's passage some 24 contempt proceedings have been brought for violation of outstanding decrees. Of this 24, one-third or eight have been brought in the past four years. One of these contempt cases was decided at the close of 1956. In United States v. J. Myer Schine et at., 14 respondents were found guilty of criminal contempt "by reason of wilful disobedience of the judgment" entered in an antitrust case. We intend to see that, once entered, judgments are lived up to.

A matter of growing importance is the recently increased criminal penalty for antitrust violations. This increase from $5,000 to $50,000 has not been in effect long enough for its impact to be measured, but the time is approaching when this new maximum will be in full effect. In sentencing the defendants in a recent criminal case, the court noted that "the maximum fine of $5,000 for each violation . . . is hardly adequate to fit the nature and extent of the offense," but that the new maximum did not apply to the particular indictment which had been returned before the law became effective.

I plan in 1957 to urge passage of legislation which will require, under certain conditions, notification to the Department of Justice sufficiently long before consummation of a merger to permit the Department to investigate its possible competitive effects and to take preventive action where that appears necessary. I shall urge, as well, legislation to bring bank asset acquisitions within the terms of the Clayton Act's anti-merger section. I believe such antitrust amendments are necessary for the effective and even-handed law enforcement program I intend for 1957.

I am particularly concerned by the problem of the congestion existing in state and Federal courts' dockets and delays in litigation. In the conduct of antitrust cases, we will continue to place emphasis on techniques designed to reduce delays in bringing cases filed to final conclusion and to keep our cases current.

In 1957 hard-hitting antitrust enforcement will provide effective and fair protection as quickly as possible.

ERNEST R. ACKER

President, Central Hudson Gas and Electric Corp.

The gas and electric utility industry in 1956 marked a decade of postwar growth and expansion which was beyond the most optimistic predictions of the industry 10 years ago. The year 1957 promises the continuation of this high level of economic activity as the industry looks forward to another 10-year period of unprecedented growth.

Ernest R. Acker

Expansion and progress have keynoted the efforts of the electric utility industry for many years. In the decade since World War II, it has more than doubled its annual construction expenditures and its installed generating capacity. Forecasts indicate that the industry will again double expenditures and capacity by 1966 to meet increasing demands for electric power.

During 1956, expenditures for new plant in the electric industry totaled almost $3 billion and investment in electric plant and property of the investor-owned electric companies was approximately $33 billion. This was the fifth successive year in which construction expenditures have exceeded $2.5 billion. Electricity sales last year were 10% over 1955 and gross revenues were up 8.7%.

The gas industry today is a healthy, vigorously growing business with assets in excess of $17 billion. The gas utility and pipeline industry invested $1.65 billion in new facilities last year while approximately $2 billion is budgeted for construction expenditures in 1957. Natural gas sales were up 10% over 1955 and gross revenues increased 17%.

Gas is now the leading heating fuel for the nation's homes, and the number of househeating customers of gas utilities is expected to increase from 16,000,000 to 21,000,000 by 1960.

The dynamic growth pattern in the postwar period in both the electric and gas utility industry is due in large part to the increasing demands of homes, farms, industries and businesses for natural gas and electricity. Industry is constantly finding new uses by which electric power and natural gas can be used to perform tasks efficiently and economically while the homemaker is utilizing more and more labor-saving appliances and devices.

Of increasing importance to the electric utility industry is the great progress being made in the application of nuclear energy to the generation of electric power. Electric utility companies, individually and in partnership with other industries, are contributing on a large scale to the development and construction of atomic power plants across the nation.

There are a number of complex problems, technical and economic, which remain to be solved before such plants will be able to compete with modern conventional steam plants. While it seems probable that many atomic plants will be built in this country during the next 10 years, it is certain that they will not render obsolete our existing modern generating stations. Meanwhile, the investor-owned electric industry is going forward in its efforts to advance nuclear technology in the belief that this form of energy will be of major importance to the industry and its customers in years to come.

MORE STATEMENTS IN THE JAN. 24TH ISSUE

Quite a number of statements either were received too late for publication in today's issue, or for mechanical reasons, could not be accommodated therein. These will appear in the "Chronicle" of Jan. 24.—EDITOR.

BENJAMIN ABRAMS

President, Emerson Radio and Phonograph Corporation

Although 1957 promises to be an improvement over 1956, I expect the first six months of the new year to be marked by extremely keen competition in the sale of television receivers and resultant short profit margins. This expectation is based upon the overproduction in 1956 and the heavy inventories carried over, particularly at the dealer and distributor level. Lower production rates by manufacturers during the early months of 1957 will have the effect of reducing inventories and thereby making for a healthier business in the last six months of 1957. I believe that color television will become a more important factor in the last six months of the year and will likewise contribute to a betterment.

Benjamin Abrams

Four factors will play an important part in 1957 and in the future of the industry.

(1) Color Television

(2) Portable television receivers, which are creating the desire for the ownership of a second television set in the home.

(3) Transistor radios, which are meeting with increasing consumer interest and which will eventually replace the plug-in radio. Low battery drain in transistor sets makes such sets, in some cases, more economical to operate than electric sets. The continual reduction in the cost of producing transistors will eventually result in materially lower priced transistor sets than prevailing today.

(4) The enormous interest in high fidelity phonographs will likewise contribute substantially to the profit picture in 1957.

STANLEY C. ALLYN

President, The National Cash Register Company

The year 1956 will set a new record for sales in the office equipment industry. The best available figures indicate that the increase over 1955 will be at least 15%. This will naturally vary by individual companies, but as an over-all figure, it is indicative of the increased demand for products of this type during the past year.

Stanley C. Allyn

Forecasts for 1957 point to at least a comparable increase over results for the past 12 months. Inasmuch as many of the companies in the industry operate overseas as well as in the United States, such forecasts obviously reflect an optimism on overseas sales as well as domestic.

The office equipment industry in general is looked upon as a "growth industry." This appraisal is justified by actual results for, as a whole, it has grown faster than the general economy during the past 10 years. The basic elements in this growth have been the mounting volume of paper work and the increasing cost of clerical help.

One employee out of every six this year spent his or her time handling paper in one form or another. According to the Bureau of Census and Industry Sources, 16% of our civilian labor force is now made up of clerical workers as compared with only 4% about 25 years ago.

Despite the fact that more than a billion dollars worth of office equipment of the type which makes direct savings in labor was sold in 1956, there are probably several hundred thousand more clerical workers today than there were a year ago.

At the same time, the cost of clerical operations has risen substantially, so that business is being squeezed ever more tightly in the pincer-like grip of its record-keeping dilemma.

Quite obviously, mechanization in offices has not kept pace with what has occurred on the production lines, despite all the efforts of the office equipment industry to bring about a greater degree of automation to clerical work.

A key reason for this lag has been the staggering increase in the volume of record-keeping required of business. Consider, for example, the millions of new life insurance policies, mortgages and installment loan accounts; the fact that the number of checking accounts in banks has doubled in the past 15 years; the emergence of big government with its enormous bookkeeping problems; the mushrooming in size and scope of operations of most business firms; the trend toward greater decentralization of industrial operations, and many others.

In the face of this growing need, the office equipment industry has not been idle. New machines and new accounting procedures have been devised, and have substantially improved paper-handling efficiency. Still newer machines and methods are in the offing. Put another way, the means of vastly improving data-processing are already available; in addition, the year 1957 will doubtless see the introduction of new products and processes which should help considerably in efforts to achieve "office automation."

To a more limited extent, the conditions which I have outlined also apply to markets overseas as well as to those in the United States. Inevitably, there are differences; but the problem is basically the same. The volume of record-keeping has grown almost universally. With mechanization of office functions relatively undeveloped in many overseas nations, the need for modern equipment abroad in some respects is even more compelling than the need in our own country.

There are many problems connected with overseas business which do not exist here at home. Shortage of dollar exchange and the national interest of individual countries in promoting home manufacture can only be met by some source of overseas production.

The establishment of overseas factories in strategic locations has been the principal factor in the expansion of our overseas business. Sixty-five per cent of the money volume of NCR's overseas sales represents production of foreign plants. This is business which we could not have secured without overseas production facilities. Two additional factories are now under construction, one in Japan and another in Brazil.

Barring unexpected international developments which would crimp or even jeopardize the Free World's economy, the year 1957 should bring the largest investment in overseas nations to date in office machinery of various types.

For our own company, both domestic and overseas sales for 1956 will establish a new record, each running about 15% ahead of 1955. The year 1956 will be the 11th in succession in which our overseas sales have set a new record.

Looking to the future, we are making our plans on the basis of comparable sales increases for 1957.

Our organization—manufacture, sales and service—is currently at an all-time high of 44,000. Of these, 24,000 employees are in America, and 20,000 in overseas countries. Our capital expenditures for 1957 will be approximately $18,000,000, the largest in the history of the company.

Few industries are more greatly influenced by technological advances than the office equipment companies. Generally speaking, research and product development budgets have been increased substantially each year for the past decade. The coming of electronics has been responsible for part of this, but office equipment companies have always recognized the importance of research and new products. In our plans for 1957, research and product development expenditures will be at least 20% greater than similar allotments for 1956.

As it enters the new year, the industry offers a broad array of products which literally pay their own way in terms of increased efficiency and reduced operational costs. With both demand and capacity to buy at unparalleled levels, 1957 can be expected to establish a new plateau for the industry.

O. KELLEY ANDERSON

President, New England Mutual Life Insurance Co.

The steadily growing acceptance and appreciation of the unique and highly desirable features of life insurance coverage by the American public coupled with the highest disposable income on record will carry the sales of life insurance to an all-time high in 1957.

O. Kelley Anderson

This greater acceptance and appreciation of life insurance coverage is no mere accident. Social Security, G. I. Insurance, and more recently the widespread use of group insurance protection have done much to make the American people more aware of the advantages of life insurance. Ownership of these types of coverages has pointed up the need for additional insurance for adequate family protection or retirement incomes.

People are no longer satisfied with only enough life insurance to cover burial expenses. They seek to furnish enough coverage to provide income at levels above

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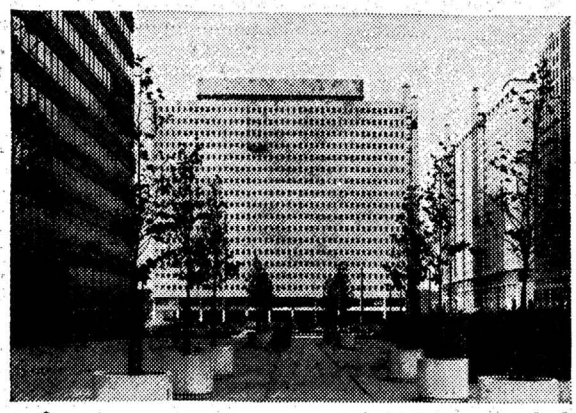
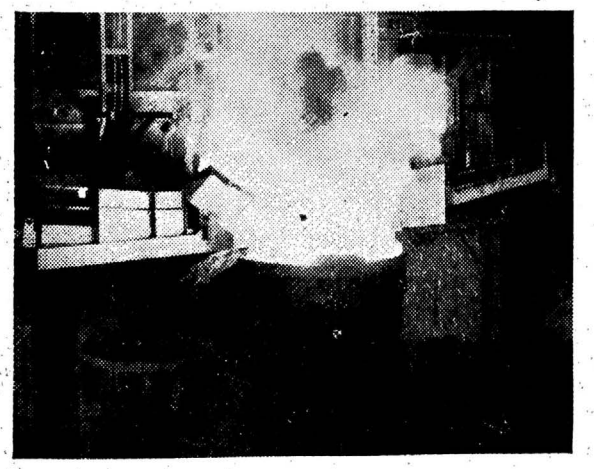
BETHLEHEM STEEL

Some Highlights of the Year Just Ended

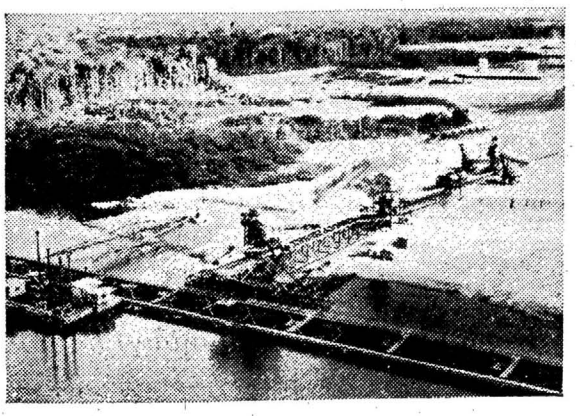


BETHLEHEM STEELS HELP BUILD PENN CENTER. Products from nearby Bethlehem plants are being used in the buildings in Philadelphia's Penn Center, including steelwork from plants at Bethlehem and Pottstown, high-strength bolts from Lebanon, elevator wire ropes from Williamsport, and reinforcing bars from Sparrows Point.

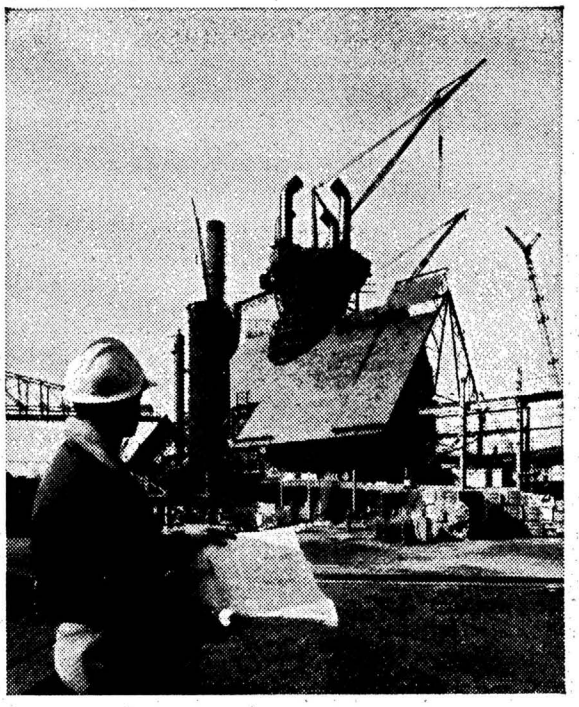
NEW OPEN HEARTH AT LACKAWANNA. This heat of steel is being poured from a new open-hearth furnace, provided under the program of additional facilities at the Lackawanna, N. Y., plant, a part of Bethlehem Steel's current $300,000,000 expansion program.



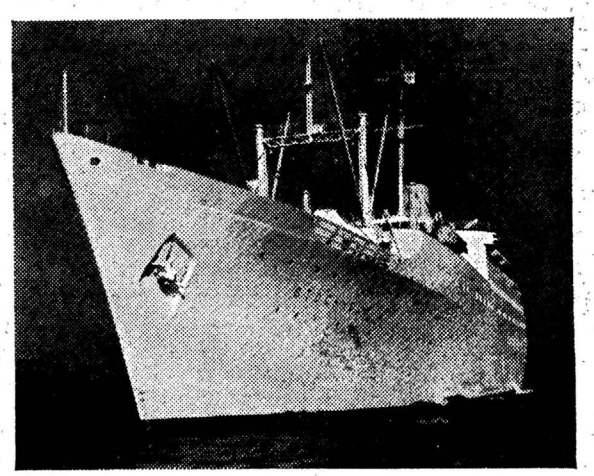
MANGANESE ORE FROM MEXICO AND BRAZIL. During 1956 the first shipments of manganese ore were brought out of Mexico and Brazil from properties in which Bethlehem Steel has an interest. Below is shown the new ore-loading station on the Amazon River.



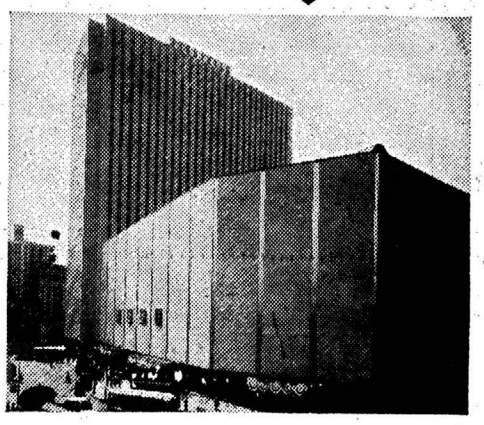
NEW BLAST FURNACE RISES AT SPARROWS POINT. This new furnace, nearing completion at the year's end, is a key item in the current expansion program at Bethlehem's Sparrows Point, Md., plant, which will give that plant an annual steel ingot capacity of 8,200,000 tons, larger than the present capacity of any other steel plant in the country.



THE "STOCKHOLM" GOES TO SEA AFTER COLLISION REPAIRS. The liner "Stockholm," following repair at Bethlehem's 56th St. Brooklyn Yard of the damage she suffered in her collision with the ill-fated Andrea Doria, passed her sea trials with flying colors and is now back in service.

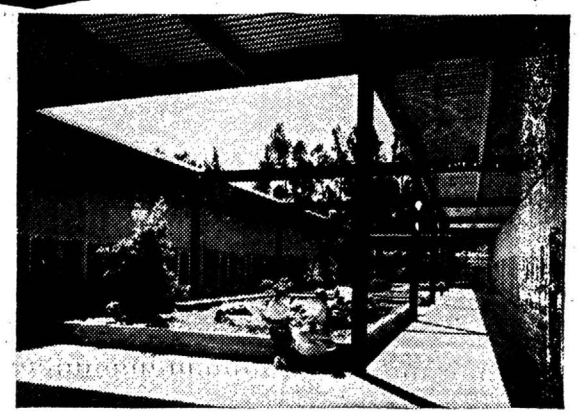


NEW YORK'S NEW SHOW PLACE Opened in the late spring of 1956, the New York Coliseum has total exhibition area equivalent to nine football fields. Bethlehem furnished the 13,000 tons of steelwork and nearly 4,000 tons of concrete reinforcing bars.



TIN-MILL FILM WINS "OSCAR." "Bright Steel," a movie in color telling the story of Bethlehem tin mill products from raw materials to the finished "tin" cans and other familiar uses, received the first-place award among industrial films exhibited at the 1956 Cleveland Film Festival.

CALIFORNIA SCHOOL FEATURES EXPOSED STEEL. Hillsdale High School at San Mateo, Calif., is typical of numerous new school buildings all across the country featuring exposed structural steel, both indoors and on the exterior. The steel for Hillsdale High was rolled in the Pacific Coast plants of Bethlehem Pacific.



SAFETY IN STEELMAKING In the latest annual contest sponsored by the Metals Section of the National Safety Council, Bethlehem's Lackawanna, N. Y., plant won first place among all large steel plants. The Bethlehem, Pa., plant won second place, the Johnstown, Pa., plant third. Among other Bethlehem operations honored for safety achievements were plants at Sparrows Point, Md., Steelton, Lebanon, and Pottstown, Pa.

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a mere subsistence for a reasonable period of time after the death of the insured or after retirement. In our present economic environment the head of the average American household wants to leave his family with more than just over one year's normal income which is all the insurance which he presently owns will provide. If he were to purchase enough protection to provide two years' income, the industry would almost double the present insurance in force. As long as this condition exists in a prosperous economic environment, life insurance sales will remain strong.

The excellent training of agents being done by the life companies has played a major role in gaining for these men the acceptance and respect which they now enjoy. There will be more training courses for new and experienced agents in 1957 than ever before.

The rapid growth of group insurance coverage will continue in 1957. The principles of group underwriting are being applied in new ways and to new situations to meet insurance needs. Available types of group coverage will also be improved during the year.

"Key man" and other business insurance, together with insured pension trust plans will continue to grow faster than the sales of other ordinary insurance during the year. There still exists a vast potential market for this type of coverage. Some agents will continue to push term insurance but permanent forms will continue to be more popular.

The trend toward recognizing in the premium schedules the lower expenses and administrative costs per dollar of coverage as the policy size increases will be an added factor in increasing the already very keen competition between companies.

In 1957 keen price competition and the general labor shortage in many areas will intensify efforts of life company managements to reduce operating costs. Improved methods, the use of new and better machines, electronic computers, and the like will be utilized to meet competition and to keep net costs as low as possible.

Many life company managements feel the current emphasis of selling on the basis of low net cost may be harmful in the long run. Life insurance should be sold on its real merits—rather than on a purely cost basis. Indications are, however, that the present trend toward cost selling is likely to become even more severe during the year.

The underwriting standards of most companies are being liberalized to provide broader coverage and more coverage at standard rates. This trend will continue into 1957.

Improved mortality and a higher return on investments may reduce the net cost of coverage to many policyholders in 1957. Several companies have announced increases in the interest rate which they will pay on funds left with the company. Dividends will also be higher in some instances.

Barring unforeseen changes in the plans of business and governments, the present strong demand for money, with resultant higher interest rates, will continue in 1957. It is unlikely that the supply of savings available for investment plus the supply of new bank credit will be sufficient to meet the demands. Once again the life insurance companies with some $6 billion net new investable funds available will be under heavy pressure from seekers of long-term money.

T. COLEMAN ANDREWS

President and Chairman of the Board, American Fidelity & Casualty Company

The year ahead offers considerable promise to insurance companies specializing in the requirements of the motor transport industry.

During 1956 the trucking industry continued to demonstrate its tremendous vitality, not only in immediate growth, but also in preparing itself for further expansion in the years ahead. As a leading insurer of trucks and buses, American Fidelity and Casualty Company had a part in making this growth possible and, of course, shared in its benefits; and it looks forward to even greater successes in the next decade for itself and the industry it serves.

T. Coleman Andrews

Common Carriers, those trucking firms which operate under the jurisdiction of the Interstate Commerce Commission, provide a perfect illustration of the growth trend in the industry. In 1956 Class I Common Carriers, those which report gross annual revenues of $200,000 or more, topped their record of $4 billion gross revenue set in 1955, according to preliminary estimates.

In fact, so many Class II Common Carriers, those with annual gross revenues below $200,000, have moved into Class I bracket within the past five years, that the ICC has been forced to reevaluate the earning boundaries of these classifications. As a result, on Jan. 1, 1957, Class I Common Carriers included only those trucking firms which gross over $1,000,000 annually, while Class II included those grossing between $200,000 and $1,000,000 annually.

Many factors have contributed to the expansion of this essential industry. Industrial and residential suburbanization have made great demands on the motor transport industry. The nation's truck and bus operators have met these demands in the traditional American way.

The trucking industry has proven that it can move freight — all kinds of freight — with greater speed and lower cost than other existing forms of transportation. Capable of going anywhere that a road goes, of carrying large loads or small loads, of limiting handling costs to two operations, and of tailoring pickup and delivery schedules to the shippers' requirements, the trucking industry has become indispensable as a short-haul carrier and more and more in demand as a long-haul carrier.

And the industry is not standing still. It rapidly is making the internal transition which will transform it from small business to big business. Technological advancements in equipment are being utilized to reduce operating costs, improve service, and increase the margin of profit.

New lightweight trailers with higher cubic capacity are making it possible to increase payload without changing the outside dimensions of the equipment. New power units are giving greater mileage at smaller fuel and maintenance costs.

Terminals are being modernized to provide more efficient freight handling, speedier loading, and more complete mechanical care of equipment. A modern terminal in operation is something inspiring to behold! Telephone or radio communication between terminal and truck is making possible direct contact between drivers and dispatchers. This results in considerable savings in vehicle and man-hours, as well as improved service to shippers.

In addition, the truck and bus industry through many tax outlays is helping to finance the new interstate highway construction and improvement program which commenced last year. The industry expects to benefit from this modern super-highway system through speedier service and lower operating costs.

Until now the industry, for the most part, has found the capital necessary for expansion through plowing back its own earnings and through temporary debt financing. However, there has been a trend among the top companies (those grossing over $10 million annually) to secure the necessary capital for large-scale expansion through merger and equity financing. Because of the industry's attractive growth potential it can be expected that the trend towards equity financing will continue, and many more companies will engage in major expansions.

As a result of the many encouraging developments in the motor transport industry, American Fidelity & Casualty Company has moved to keep pace with the insurance needs of its policyholders. New coverages have been added, so that we are in a position to offer our policyholders a package plan to cover their complete insurance requirements. Markel Service, Inc., the service arm of the company, has expanded and intensified its operations to provide safety engineering and claims service for the new coverages.

We are proud to place our faith and confidence in a great industry that, in typical American fashion, has triumphed over the obstacles of early growth, and that has made a habit of facing ever brighter horizons.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

Traffic volume on the Wabash in 1956 measured by ton-mile performance was nearly 2% greater than in 1955 and 13½% greater than in 1954. Operating revenues were slightly higher than last year by a slim margin of almost 1% despite the 6% freight rate increase which became effective early last March. The failure of the rate increase to produce an equivalent improvement in revenues when ton-mile performance was greater can be attributed to various hold-downs in the rate adjustment and changing patterns in the movement of commodities.

Arthur K. Atkinson

Operating expenses of the Wabash during 1956 were up nearly 4% over 1955 with the result that net income before taxes was 25% less than for last year. The wage increases, effective last Nov. 1, and the rising costs of materials and supplies are putting a new squeeze on railroad profits. The emergency freight rate increase effective Dec. 28, while welcome, is not expected to meet the higher costs of doing business which are already in effect.

In 1957 I anticipate continued strong demand for freight and passenger transportation in line with the general good business conditions in the area served by the Wabash System. The fastest growing segment of our freight service is piggybacking. I feel we have only begun to realize the terrific potential of this new service and expect it to carry an ever increasing portion of freight movements in the years to come. We also want passenger business and plan to make every effort to keep it attractive to the public as a dependable, comfortable and enjoyable means of intercity travel on convenient schedules with a maximum of speed and safety.

While the theme for America's future is peace, prosperity and progress, and the majority opinion is that good business should continue well into 1957, it is clear that drastic changes must be made in transportation regulation if the railroad industry is to remain financially strong and capable of meeting the needs of an expanding economy. The rate of return on the net investment in Class I railroad property in 1956 is expected to be barely 4% when final figures are available. Last year it was 4.21% and has averaged only about 3¾% since the close of World War II.

The rising interest rates on current financing of equipment are adding new impetus to the case of the railroad industry for the right to earn an adequate rate of return on invested capital. Recent equipment trust financing has involved net interest costs of 4¼ to 5%, whereas only a year ago the rates for borrowing on new diesels and freight cars were around 3%. Obviously, we cannot be expected to add to our equipment fleets if the return on the investment is less than the carrying charge.

The total of capital expenditures in 1956 by Class I railroads approaches $1⅓ billion, more than one-third of which went for necessary improvements to roadway, terminals, shops, signals and other fixed facilities and the balance went for new locomotives and cars. Based on the trend of population growth and other reliable indices of business activity and consumer demand, it is expected that railroad freight traffic in 1965 may be 30 to 40% greater than the volume being carried today. If the railroads are to be prepared to meet this demand for rail service, they must spend $2 billion for improvements to their plant and equipment each year for the next nine years. This will be a continuing challenge which will require more than ingenuity on the part of railroad management.

We must have greater competitive opportunity throughout the transportation industry so that all carriers, including the regulated and the unregulated, the contract, the private and the public common carriers will be free to compete fairly for the freight and passengers to be moved. This means Congress should repeal the 10% tax on travel and the 3% tax on freight shipments. It also means that Federal and State regulation of transportation must be revised to recognize the changed conditions since the railroads are no longer monopolies and present use of the highways, waterways and airways has clearly established that these are matured methods of transportation capable of standing on their own feet without the help of subsidies.

BENNETT ARCHAMBAULT

President, Stewart-Warner Corporation

Since Stewart-Warner Corporation has now become a highly diversified enterprise, with a wide variety of products which are distributed in many major industrial markets, any forecast of our total operating results must be related quite directly to the general outlook for the American business economy as a whole.

Bennett Archambault

We believe that the total national level of business activity probably will be somewhat higher in 1957 than in 1956, primarily as a result of continuing wage and credit inflation. It is our opinion, however, that—as in 1956 — there will be important areas of business which will not share in this high level of activity. Other areas may reach record or near-record levels.

Fortunately, the 1957 outlook for each of the principal industries served by the products of Stewart-Warner Corporation — including petroleum, materials handling, automobile and truck manufacture, advanced electronics, aircraft manufacture, and heating and air conditioning—seems to be good. The position of our company in many of these markets also appears to be stronger now than it was a year ago — and 1956 has been one of the best years in Stewart-Warner's long history.

We have continued to emphasize advanced engineering development, efficient manufacture and aggressive sales effort. It is by these means that we hope it will be possible to improve further the position of our stockholders in this era of extremely high taxes, constantly rising labor costs and the resulting depreciation of the dollar.

We expect, therefore, that 1957 will be another year—like 1956—when the achievement of real operating gains will require intensive effort by business management. Given conditions as favorable as have obtained during 1956, we believe that such effort by our organization in 1957 can accomplish significant further progress in all areas of Stewart-Warner's diversified activities.

C. J. BACKSTRAND

President, Armstrong Cork Company

Further modest gains are in prospect for business generally in 1957, and for building materials and flooring products, industrial specialties, and packaging—the three principal markets served by the Armstrong Cork Company.

With the general demand for funds exceeding the supply and the monetary authorities pursuing a policy of restraint, money is likely to remain tight throughout most, if not all, of 1957. Accordingly, sound management of corporate finances will become increasingly important. As wage advances continue to outpace productivity in many industries and further increases in the price level occur, a second area deserving still more intense management study will be cost control. Rapidly expanding industrial capacity and increasing competition point to a third management "must" for 1957—still greater knowledge of markets.

C. J. Backstrand

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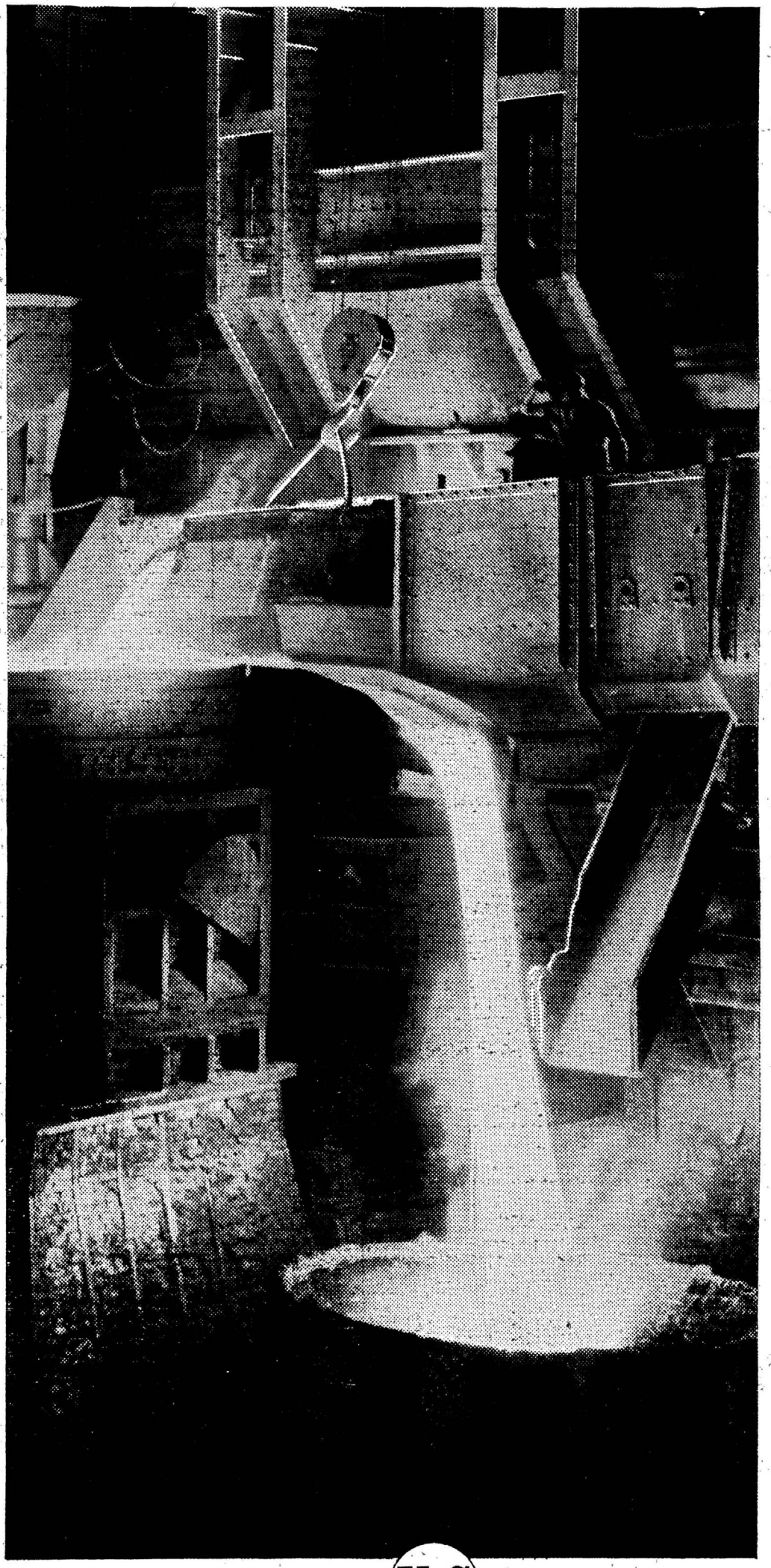
Steel flows with industry from sea to sea

Not so long ago, industries using large quantities of steel tended to limit their operations to the relatively few areas where steel was readily accessible.

Then the trend to decentralization set in. To the benefit of many communities of all sizes, industries spread their operations far and wide across the nation. And steel, too, expanded in many ways and in many directions.

Today, United States Steel operates mines and manufacturing plants from Massachusetts to California. Close to where the material will be used, these manufacturing plants turn out rails, plates, bars, sheets, strip, structural shapes, tin plate, wire, wire rope and cable, pipe, tubing, strapping, oil-field equipment and the like. Small users of steel may buy many of the items "over the counter" at well-stocked warehouses of U.S. Steel from coast to coast.

Since 1901, United States Steel has kept pace with the changing requirements of America. In the future as in the past — as steel continues to flow with industry from sea to sea — we will continue to cooperate with energy, enterprise and faith as your partner in progress.



Watch THE UNITED STATES STEEL HOUR on television, alternate Wednesdays, CBS, Channel 2, at 10 PM

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UNITED STATES STEEL

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The broad conclusion then is that this new year will offer opportunities for expanded sales and profits, perhaps not to all industries and companies, but to those which employ flexible financial policies, effective cost control programs, and imaginative marketing plans.

Building prospects for 1957 are somewhat mixed, but, on balance, the total dollar volume should edge forward. The basic demand for new housing remains strong, reflecting the desire of millions of Americans enjoying higher incomes for more space, convenience and style. Home mortgages, however, and particularly those guaranteed or insured by the Federal Government, have become less attractive to investors as interest rates generally have risen in response to the record demand for funds. Since no real improvement in the demand-supply situation in the money and capital markets is in prospect, it is doubtful that sufficient mortgage funds will be available during the coming year to support a level of non-farm housing starts much in excess of a million units.

Many families facing financing problems in their quest for more modern housing will shift their interest to repair and modernization of existing homes. Expansion in this field is likely to offset any further softening of new home building. Moreover, the recent liberalization of FHA Title I should stimulate remodeling work.

Non-residential building, although feeling the pinch of tight money, is expected to advance slightly next year. While the physical volume of commercial activity may not move forward, industrial construction is slated for still further gains. In the light of widely recognized need for an increased number of classrooms, the school building program should expand in 1957.

Although the demand for flooring products and other building materials will be larger in 1957, recent capacity increases for many products imply the need for increased emphasis on sales and merchandising activities. The advantage will lie with those companies whose products offer distinctive features, such as ease of maintenance, sound conditioning, insulation, and more economical installation costs.

The outlook for the Armstrong Cork Company's line of industrial specialties in 1957 is brightened by the prospect of expanded activity in the automobile industry, as well as by rising output of machinery and equipment. The relentless drive of industrial customers for increased productivity to offset rising wage and material costs underlies the strong demand for many special cost-saving products, such as friction materials, adhesives, and packing and gasketing developed through careful market and physical research.

The need to provide the consumer with products that appeal from the viewpoint of both appearance and convenience has brought about greater attention to packaging in recent years — hence the packaging industry should sustain further growth in 1957.

Expanding population and purchasing power, a rising level of investment in new plant and equipment, and growing government demands for goods and services suggest another record year for overall business in 1957. Individual company gains, however, will not come automatically, because there seems to be less expansionary force in the economy now than during the past few years. As has always been the case, those enterprises which do a better job of production, merchandising, distribution, and financial management will have the greatest success. The Armstrong organization is directing its efforts toward these ends.

G. T. BAKER

President, National Airlines

As the scheduled airline industry crosses the threshold of 1957, it finds itself faced with challenges of major proportions. The next 12 months will bring the first intense application in the all-important "tooling up" process preparatory to the integration of turbo-prop and jet aircraft into the piston-engined fleet less than two years away.

G. T. Baker

The magnitude of the undertaking can be more fully appreciated by considering the tremendous stake of the industry's commitment for jet-type aircraft. Five United States airframe builders now hold more than $2 billion in firm orders and options for turbo-props and jets—not including additional new transports of the conventional type.

The major airlines in this country currently have on order 600 such airplanes — 259 turbo-props, costing $323½ million, and 341 jets with an aggregate price tag of $1,741,000,000. As a member of the Civil Aeronautics Board recently observed, this bold step represents "undoubtedly one of the most courageous and at the same time one of the wisest decisions in the business annals of this nation . . . impossible to overestimate in its great significance to the airline industry and to the people of this country."

Widespread implementation of turbo-props and jets envisions an entirely new concept of procedures in scheduled air transportation. Problems which never before have arisen in integrating new aircraft into an airline fleet already have asserted themselves in abundance and make mandatory the evolution and development of radically different approaches.

The revolutionary planning to which the nation's air carriers must address themselves in connection with the jet age must be accomplished in concert with current problems of improved air space control, proximity warning indicators, more efficient ground handling, new reservations techniques, methods for controlling the perennial "no-show" evil, among other vital factors.

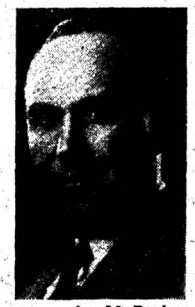
The various indices which are employed to forecast future trends in the airline business combine to point toward continued improvement during 1957. The demand for passenger and cargo space should be commensurate with the increased availability of equipment as the carriers continue to augment and modernize their fleets during the year.

There is no reason to feel that the best minds in this industry are not thoroughly aware of their responsibilities to the travelling and the shipping public. They recognize the magnitude of the job ahead, and while it will be impossible to resolve many of the major problems for a long time to come, marked progress is being achieved and the future can be viewed with confidence.

ALEXANDER M. BEEBEE

Chairman of the Board, Rochester Gas and Electric Corporation

Being in the utility business, naturally we study very thoroughly the economic prospects of the area we serve in order that we may plan adequately to meet the demands placed upon us.



Alexander M. Beebee

All of our studies thus far indicate continued growth in the demand for our services—gas, electric and steam —for the next several years averaging approximately 6% to 8%. To meet these added loads will require added investments in our facilities of approximately $15 to $20 million a year for the next several years.

While the indications are that the rate of growth in the next few years may be slightly less than that of the most recent spectacular years, nevertheless they do indicate a continued sound expansion so that we look to the future with confidence.

F. N. BELGRANO, JR.

President, Transamerica Corporation

At least in one respect, the year 1957 will not differ from previous years. It will see the continuation of a never-ending struggle between two completely different forces—two unalterably opposed ways of doing business. On the one hand is what I like to call "dynamic capitalism." Dynamic capitalism means simply doing a better job of putting the best available materials, muscles, and brains into those products and services that every individual wants. As long as the little fellow, the customer, can take the pay for his work and do with it what he wants, then the company that can give him that item or service with better quality at a cheaper price will stay in business. Dynamic capitalism calls for hard work and a continual effort to improve. It made this country great. It has been proved time and again that it can and will work. On the other hand there is a creeping encroachment of rules, regulations, and restrictions. There are rules regarding what may be produced, regulations for how much may be sold; and restrictions limiting how these operations may be brought about. However high-minded and well-intentioned the regulation, it leads inevitably to more numerous and more restrictive regulations. The ultimate result is fascism or communism, the wanton destruction and ruthless terror which we all know about and have seen.

F. N. Belgrano, Jr.

Obviously, in the coming year as in those past, I will work for the ways of dynamic capitalism. I prefer those ways, too, for the freedom they give to the operation of a very old and natural law—the law of supply and demand. It is a law which needs no administration, yet applies equitably. It holds uniformly for both the large and the small in every field of endeavor, including my own principal field of banking. Because it is so universal, it is necessary to interpret it correctly.

When the demand for money or credit increases and the supply is limited, the price of credit—the interest rate—tends to rise, as at present. In the same way, when the demand for raw materials increases in order to make more plant, more equipment, more finished consumer items and the suuply of those raw materials is limited, the price of those materials tends to rise, as at present. This situation will continue throughout the coming year. A rising demand for raw materials by all sectors of our economy will continue.

Federal, state, and local governments must produce more national defense items, will build more roads, will construct more schools, more sanitation facilities, and other public works.

More persons will be employed than ever before in the history of the nation. The take-home pay of all of them, in general, will be greater. As in preceding years, they will devote part of their rising income to an increase in savings deposits, savings bonds, insurance policies, and retirement benefits. They will also wish to spend more on such things as automobiles, appliances, travel, and leisure activities.

The business world will do its best to supply the increased needs and desires of all buyers, both public and private. In many cases, firms already are operating at full or near-full capacity. Some of them will plan to expand their capacity by an addition of plant, equipment, or inventory. It is this group that should remember the law of supply and demand and should be cautioned by it. The added demand for goods with which to expand capacity puts an increased burden on existing capacity to supply those goods. For the good of our economy, therefore, it is necessary that the business world be realistic and hard-headed in judging what their sales potential is. Then with firm determination, they may gauge their production schedules, inventory levels, and working capital requirements to realizable fact rather than to hoped-for illusion.

If this clear thinking and hard work are accomplished, we should see a healthy gross national product of about $430 billion. If, on the other hand, there is a wild and speculative scramble for raw materials and goods, current inflationary tendencies will grow and will dissipate true economic gains in crippling price rises.

S. CLARK BEISE

President, Bank of America National Trust and Savings Association, San Francisco, Calif.

It was generally predicted a year ago that the total economic activity of our people would continue to increase.

These estimates have proven accurate as the achievements of 1956 become a matter of record.

S. C. Beise

This momentum of high activity will surely carry over into 1957 and find business especially active in the early months of the year. There is every evidence that we will progress to higher levels of production, sales, consumer income and consumer spending for the 12 months ahead.

Business and industry have not yet attained the degree of plant and equipment expansion considered necessary to our economy, consequently these outlays will be even larger next year.

In California and the other Western States we are participating in a vigorous and virile growth, sparked by contributions and demands of a steadily increasing population.

A decrease in residential building construction has been more than offset by an expansion in commercial and industrial construction. We can expect to see a moderate growth in total construction during 1957. National defense expenditures are increasing and this is of particular import to the West.

Development of our economic muscles has been paralleled by an increased demand for credit. This demand is tremendous and is present at all levels in our economy; it stems from consumers, farmers, manufacturers, merchants and builders as well as local state and national governments.

Reliable credit resources are the lifeblood of an expanding economy. During the past year bankers have demonstrated a high sense of responsibility in meeting credit needs. Every effort has been made to advance funds in a manner to promote the maximum growth and production, with particular concern being directed toward the needs of small business firms which do not have access to national capital markets.

The same policies will be pursued during the coming year.

ROBERT S. BELL

President, Packard-Bell Company

Our forecasts for 1957 point to a year of increasing activity in the two major fields in which our company is presently engaged. Our Home Products Division is primarily devoted to the manufacturing of radio, Hi-Fi, and TV products for the consumer, and our Technical Products Division designs and manufactures electronic equipment, most of which is directly or indirectly for the Armed Forces.

Robert S. Bell

While we have treated radio and television as one field, actually the markets for these products are not necessarily the same. For example, in 1956 the sale of radios increased approximately 20% over 1955, within the industry, while the sales of television decreased approximately 8%. We believe that the radio market will hold up in 1957, principally because of the present low cost to the consumer of replacing his old set with a new model. The current interest in Hi-Fidelity is also expected to contribute to a high level of radio sales in 1957.

The television market for 1957 should be good, taking the year as a whole. Because of the relatively high year-end inventories, there is bound to be a competitive scramble during the first four to six months, in order to make way for the new models which are generally introduced around July 1. We believe that the last six months of the year will more than compensate for the earlier period. Color TV, while still not the factor that it was originally anticipated to be, will continue to grow, particularly in the fall months of the year. The so-called portable TV set will continue to account for a sizable number of sales, even though it has not produced a satisfactory profit for any manufacturer. We look for about 7.2 million units to be sold in 1957, which would make it the second best in history.

Turning to the field of more highly technical elec-

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Now... from IT&T

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Developed by Federal Telecommunication Laboratories, a division of International Telephone and Telegraph Corporation, and Creed and Company, Ltd., an English subsidiary, this radio-teleprinter is the size of an ordinary typewriter. It answers the urgent need of transatlantic planes to receive accurate weather data over long distances—also it *releases voice channels* for vital traffic information, and permits the pilot to *read* weather reports at any time.

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For information about NARCAST, write Federal Telephone and Radio Company, a division of IT&T, Clifton, N. J.

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tronic products, we believe that 1957 will be an even bigger year than 1956. The defense budget will be maintained at the present high level, or possibly increased, to add emphasis to the missile development program. Every indication is that an increasingly larger share of defense dollars will be channeled into electronics, and consequently we expect 1957 to be another record year.

For our own company we expect 1957 to be our largest year, or very close to it, in sales. We expect our sales to top $30,000,000, and our net profit before taxes to exceed $2 million.

CLAUDE L. BENNER

President, Continental American Life Insurance Co.

The outlook for life insurance for the coming year could hardly be more favorable. Both for the companies and their policyholders, the future looks bright. The cost of insurance bids fair to decline as policynolders' dividends seem certain to increase.

Claude L. Benner

Sales of insurance will again reach higher levels in 1957. New policies which the companies have recently introduced, plus sales forces which are ever becoming more efficient, seem certain to bring this about.

The companies' investment portfolios were never in a more healthful condition, mortality ratios bid fair to continue their decline, and the rapid growth of insurance in force has enabled the companies to operate even more efficiently than usual. Nothing but a severe business depression could cause a material reduction in new sales of life insurance in the coming year.

What is the likelihood of such a business decline? Is there anything on the horizon that should make us look at the future with anxiety? Certainly, not for the first months of the year, for plans for continued investment in new plant and equipment seem to insure the continuation of a high level of business for the first half of the year.

Three factors, however, make it somewhat doubtful that the level of business can continue upward throughout the year. They are the ever-mounting wage increases, rising prices and higher interest rates. The higher prices have mainly been caused by wage increases in excess of increased productivity. The higher interest rates have resulted from an attempt to expand credit in excess of savings. Unless we desire, therefore, to increase the money supply and substitute bank credit for savings, interest rates will remain high and the higher rates coupled with the higher prices will inevitably cut down consumer demand sufficiently to slow up business activity.

Increasingly in the months ahead, the country is going to come up against the hard economic fact that wage increases in excess of increased productivity inevitably will produce unemployment and that the attempt to pass these wage increases on to the public by price rises will keep goods on the shelf. By mid-summer we will be faced with the choice of forcing new currency into circulation in order to validate the price rises that are now taking place and which mean continued inflation, or of permitting interest rates to continue to rise and credit remain relatively scarce until there is some slowdown in business activity.

Putting the matter bluntly, so long as present labor policies continue, the country is faced with a choice of rising prices and continued inflation, or of tight money, higher interest rates and some unemployment.

HON. EZRA TAFT BENSON

Secretary of Agriculture

Agriculture achieved a "turn around" in 1956 and the outlook for this basic industry for the new year is better. Our economists expect a modest price rise in 1957 in the aftermath of gains scored during the past year. Our expectations are based in part on an expanding economy which has attained new highs in output, employment and incomes. This has occurred despite some slackening in home building, automobiles and farm machinery.

Ezra Taft Benson

The net income of farm operators turned upward in 1956, as did the prices received. The quantity of agricultural exports reached the highest level in 30 years. Farm program legislation gave us many of the tools we need to help farmers cut surpluses, expand markets, increase efficiency, and boost net income. As a consequence we expect farm and ranch people to share more fully in our national prosperity in 1957 and after. Realized net income of farm operators for the first nine months of 1956 was about 4% higher than in the same months of 1955—the first such rise since 1951. This came despite the fact that crop production equaled the all-time high.

In only two years since 1947 has the realized net income increased. One was the war year of 1951 and the other was 1956—a year of peace. We estimate that there will be another small increase in net income this year. In November of 1956 prices were about 5% above the low point reached in December, 1955.

Domestic demand has been strong and rising throughout most of the period since 1951 and the number of consumers has steadily risen. Consumers have continued to spend over one-fourth of their disposable income for food.

The Soil Bank, created by Congress at the urging of President Eisenhower to cut production of surplus commodities while maintaining farm income, should operate on a bigger scale this year. Legislative delays brought it into operation last year after many crops had already been planted.

We have high hopes for participation in the 1957 acreage reserve and conservation reserve. Farmers have signed up over 10½ million acres of winter wheat land for the 1957 Soil Bank and we expect a substantial sign-up for spring wheat, cotton, and some other basic crops. In addition, as much as 20 million acres of crop land may go into the conservation reserve. In short, about 40 to 45 million acres of farm land may be put into the 1957 Soil Bank — about one acre out of every nine acres planted and grown.

In fiscal year 1956 we moved into channels of use at home and abroad about $2.7 billion of surplus farm commodities—a record amount. Our agricultural export promotion program passed an important milestone in the past fiscal year and we are apparently headed for an all-time high.

For all these reasons, I am convinced that agriculture is now in a position to start back up the economic ladder.

HAROLD R. BERLIN

Vice-President, Johns-Manville Corporation

America should spend about $66¼ billion on construction throughout the nation in 1957, three-quarters of a billion more than in 1956, present forecasts indicate. New construction alone should reach about $45 billion, if the general business outlook remains as favorable as at present and money gets no tighter.

Harold R. Berlin

An additional expenditure of approximately $21¼ billion will go for enlarging, modernizing, remodelling, maintaining and repairing existing structures.

Modernization is one of the biggest segments of the entire construction industry and is therefore a great stabilizing force. In 1957, for every dollar spent in building new homes, very roughly 80 cents is likely to be spent on modernizing and repairing of existing homes. This should be a record-breaking market in 1957.

Although new home building in 1957 is likely to be somewhat smaller than in 1956, due to tight money to which the home building industry in particular is vulnerable since it operates largely on borrowed capital, approximately 1,000,000 new homes should be started in 1957, compared with 1,100,000 in 1956, and a decline in dollar volume of about 5%. This is no rigid forecast, however, for demand is still so strong that we could have fully as many new home starts in 1957 as in 1956 if money were to ease materially next year.

If, on the other hand, inflationary forces, as reflected by the rise in living costs and in basic industrial materials, should get strongly underway in 1957, money would become even tighter and the number of home starts could drop below a million.

If home building should take a considerable drop in 1957, the building trade can readily and rapidly make up the loss by switching aggressively to modernization. It is not merely the myriad of old homes built before the war that are in the market for modernization. Actually, the 10,000,000 new homes built in more recent years are in innumerable cases already too small for rapidly growing families. In thousands of cases, bedrooms must be added or enlarged, bathrooms expanded and new ones built, attics and basements rebuilt, and car ports and garages added.

Non-residential construction, as it now looks, should run very strong in 1957. In the great majority of cases, expenditures in this field should be materially greater in 1957.

Factory construction will continue to boom. There are many reasons for this. Population, and therefore the market for goods, is increasing at a very rapid rate. The South, West and Great Lakes areas particularly are developing so rapidly that even more branch factories are required. In fact, these regions have become so important that some of the very largest plants are now being located there. Technological progress continues to pour out new products, calling for new factories. Manufacturing processes and production methods are changing so fast that entirely new plants are required to replace those rapidly becoming obsolete.

For all these reasons, I expect that more than $3.2 billion will be spent on industrial construction in 1957, an increase of 5% over 1956. In addition to these civilian expenditures, the government is expected to spend close to half a billion dollars on government plants, mainly atomic or otherwise related to military needs.

Commercial construction reached new peaks in 1956. New office skyscrapers rose like mushrooms all over the country, with a huge concentration in New York. At least $1.4 billion will be spent in 1957 on offices and warehouse construction, exceeding the 1956 figure by 6%. In other types of commercial construction—stores, restaurants, shopping centers, garages, some decline is possible.

The very important section of construction that includes churches, non governmental schools and hospitals, social and recreational centers should grow sharply in 1957 as this class is still way behind the housing boom. It will account for about $2.75 billion in 1957, a 14% increase over 1956.

Utility construction, a giant sector that will spend anywhere between $5 and $5.75 billion in 1957, a notable rise over 1956, should keep right on growing. There is an almost insatiable demand for electricity and power in all its forms both for consumer and factory, as well as telephone facilities and natural gas.

In the public construction sector, by far the biggest single items are highways and schools. More than $5½ billion will be spent on highways in 1957 and it could be considerably more, depending on how fast the gigantic new national highway program can be put into actual contract stage.

While these great superhighways are being pushed through the very heart of great inhabited areas, they cause the demolition of an immense number of dwellings—ultimately, probably, at a rate in excess of 100,000 a year. These must be replaced elsewhere and are just beginning to become an important factor on the demand side of the housing equation.

School construction knows no slackening. Because of the almost fabulous torrent of youngsters resulting from our high birth rate, every year is bound to see more money spent in this class. Public school construction should reach $2.35 billion in 1957, an 11% increase over 1956. And, if the Federal Government materially increases its subsidization of schools, the figure could easily reach $3 billion in 1957.

Behind the striking advance expected in most classes of construction in 1957, is the continuous, spectacular increase in population. We are increasing at the rate of 2.8 million people each year. It won't be long before we grow at the rate of 30,000,000 people a decade. That means adding to our existing population in less than 17 years, a number of persons equal to all those who inhabit Great Britain.

The country's business volume was colossal in 1956. In the third quarter, our economy was producing goods and services at the almost fabulous rate of $414 billion per year. In 1957 it should be considerably higher. It could reach an average of $425 billion with ease because of the rapid rise in consumer incomes provided inflationary forces do not have to be severely checked by still higher interest rates. The general business outlook is cloudier than a year ago but, after 10 years of boom, there is no convincing evidence that a setback, which would only be natural after so long a period, will come in 1957. In fact, all indications are that 1957 will be another top year.

CARL A. BIMSON

President, Valley National Bank, Phoenix, Ariz.

Arizona has enjoyed another banner year, establishing new all-time records in most lines of business. Non-agricultural employment is about 10% higher than a year ago, and 1956 retail sales were up 11% compared with the previous year. Manufacturing and mining scored phenomenal gains in 1956 both in physical volume and dollar value of output. Military and tourist expenditures were also at an all-time high for the state. Agricultural trends continued mixed but total dollar income compared favorably with the previous year.

Carl A. Bimson

Arizona continues to lead the nation in many indices of growth—as it has throughout most of the post-war period. Taking the decade as a whole, we find that Arizona ranks first nationally in percentage growth of population, agricultural income, manufacturing production, copper output and total bank deposits. Arizona's resident population has increased from 616,000 in 1946 to 1,057,000 as of July 1, 1956 according to estimates of the U. S. Census Bureau. Current residents number about 1,100,000 as estimated by our bank's Research Department.

Perhaps the outstanding feature of Arizona's growth in the past year has been the continued gains in manufacturing activity. Industrial employment now numbers more than 37,000 compared with about 25,000 five years ago and 12,000 ten years ago. Expansion has been particularly marked in electronics, precision instruments, transistors and aircraft. In the Phoenix area our principal plants are AiResearch Manufacturing, Goodyear Aircraft, Motorola and Reynolds Metals. All of these companies have further expanded their plant capacity in the past year.

Motorola now has two plants in operation and a third one nearing completion. The latter will be devoted exclusively to transistors. During the year both Sperry Rand and General Electric officially announced plans to establish plants in the Phoenix area. In Tucson, Douglas Aircraft and Hughes Tool Co. are the largest manufacturers now in operation and, in both cases, output and employment have continued to rise steadily.

In common with the rest of the country, Arizona's 1957 outlook is excellent in some respects and uncertain in others. Our momentum should carry us forward for at least several months. At the same time there are certain adverse factors which cannot be ignored. We have a very serious drought situation throughout the southwest which is severely damaging the livestock industry. The tight money situation is also having its effect on residential building and the financing of some local government projects.

Although higher interest rates are not universally popular, they do augur well for bank earnings this year. Our

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As We See It

than the average for the whole of 1956 is this rate of activity, that a very considerable decline in the latter part of this year would be required to prevent a new record being made in 1957. To be sure, the product mix, as it were, of the total output has changed and is in process of further change. Some things were produced in much larger quantities in 1956 than in 1955, and others were turned out in smaller amounts. The year 1957 is almost certain to produce more of certain items than was the case in 1956, and in some other areas production may well be down.

New Plant Outlays

New plant and equipment outlays in 1956 stepped into a gap left by residential construction and lower consumer purchases of new automobiles. Investment outlays are still running very high and the usual forecasts indicate that they will continue to be, although it appears quite possible that a substantial further growth in them may not occur. A continuation of the current rate would yield a figure for this year well in excess of last. The inventory situation in the motor industry is certainly much better this year than last, and most students of the industry expect demand for the more extensively changed 1957 models to exceed that of 1956 by a substantial margin.

Residential construction prospects appear somewhat less clear, but further decline hardly appears in the cards. Retail figures fail to disclose any reason for anxiety about the current disposition or ability of consumers to absorb large volumes of general merchandise. The expenditures of government, Federal, state and local, are certain to be higher than last year by a substantial amount.

Add all this up and a quite appreciable increase over 1956 in the market value of total output seems clearly indicated—assuming the course of affairs runs about as widely expected—but how much of the increase will be in actual physical output and how much merely the result of higher prices is another and more difficult question. There is, obviously, every indication that prices will work higher, and that any substantial increases in the usual statistics of total output will reflect them quite observably. Increases in gross national product already reported, of course, are of this same mixed character — partly reflecting real output and partly higher prices — and that trend is clearly still continuing. General optimism is running high, and there is a rather general disposition to demand more than is being produced and a willingness to go into debt to make a bid for a larger share of the output. Costs are also rising, particularly as a result of rising wages and perhaps of slackening rate of output per worker.

These are some of the factors which raise the question in many minds as to whether we shall not presently go into a period of harmful "inflation." The danger appears to be real, whatever the term is taken to mean, and harm that could sooner or later result could be and probably would be substantial. Any increase in costs that can not survive a moderate change in the business weather, or any rise in prices which tends appreciably to cut off potential demand, would almost certainly exact its toll in the course of time. Unwise expansion of productive facilities—and there are many who think some of it is occurring—to meet a demand not destined to continue will, of course, later prove costly. Such adverse factors as these might or might not bear fruit in the course of the current year. They often take time to come to maturity.

Ground for Hope

It is, of course, most earnestly to be hoped that the extraordinary volume of production now envisaged for this year will, if it actually materializes, not bring in its train such untoward conditions as these. Ground for such hope is certainly not lacking. Abnormal or inflationary factors usually gain most headway in a situation where abundant funds can be had at relatively low rates of interest. That condition, while formerly present, is now definitely a thing of the past, and the cause of the change is not merely or even basically Federal Reserve policy. Banks of all sorts are now quite extended. They are not only extended; their assets are in a degree not experienced in recent years in the form of non-governmental obligations — now frequently termed "risk assets." Commercial banks, the source of inflationary funds as a rule, find themselves in doubt about further extension of credit to business by reason of their capital position, and their so-called liquidity ratio. A more liberal policy on the part of the Federal Reserve authorities would not, obviously, relieve this situation. This state of affairs may presently place a limit upon further expansion of business, but it is a restraining influence which could prove a preventive of later serious trouble.

The general attitude of the Federal Reserve authorities has up to this time provided another brake upon too much enthusiasm. This policy could, of course, change — under some circumstances doubtless it should change — but there is as yet no indication that it will be abandoned so long as inflation threatens. It should be quite possible for industry and trade to do very well this year without further undue enlargement of indebtedness either by business or consumer. We shall have to look to the good sense and self-restraint of both to save us and them from both depression and an inflated boom.

Form Internat'l Ind.

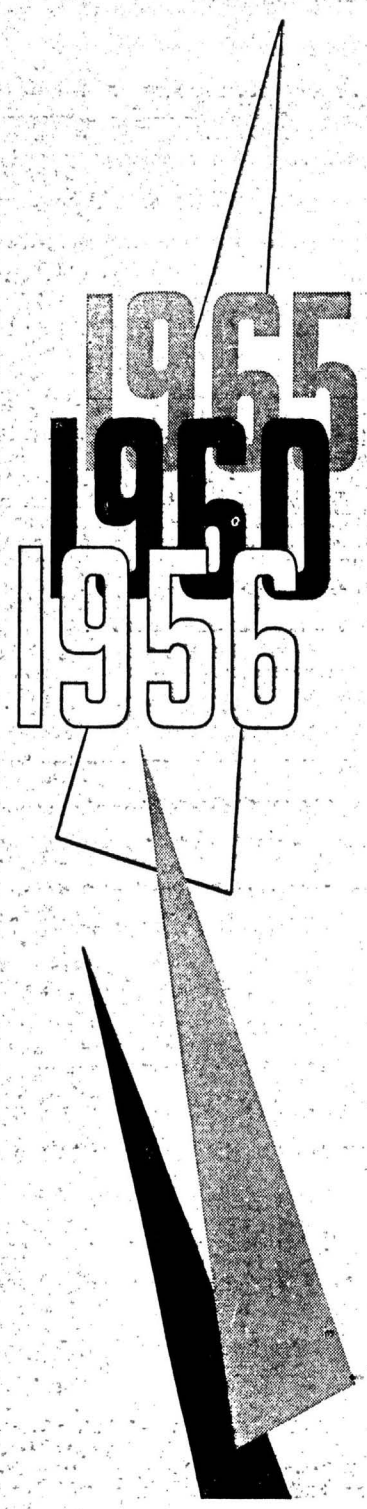
DALLAS, Tex.—William K. St. Claire is engaging in a securities business from offices at 3715 Dickason Avenue under the name of International Industrial Development Company.

Forms John G. La Forge Co.

CHICAGO, Ill. — John G. La Forge has formed John G. La Forge & Co. with offices at 135 South La Salle Street to continue his investment business. Mr. La Forge was formerly a partner in La Forge & Wyandt Co. and prior thereto was head of John G. La Forge & Co.

Van Doran Wedegartner Opens

BROWNSVILLE, Tex. — Van Doran Wedegartner is engaging in a securities business from offices at ½ Mile Honeydale Road.



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THE YEARS AHEAD

WHILE WE ARE NOT accustomed to gazing into crystal balls, it is significant to study the present plans which Public Service Electric and Gas Company has formulated for the future.

Certainly the fact that the company's capital expenditures between now and 1965 could exceed one billion dollars indicates our belief in the continued growth of our electric and gas systems.

For example, the company expects that its electric system load will have increased to about four million kilowatts by 1965, which is double the load in 1955. In the gas business, the building heating customers have increased by 270 per cent since the end of 1950.

All of this means that New Jersey is growing . . . and Public Service is growing along with this great state. Industrial development is vibrant; urban redevelopment is shown in the "face-lifting" as seen in many New Jersey areas, particularly in Newark; residential sections continue their healthy population growths.

The years ahead hold great promise for New Jersey and for Public Service. We are dedicated to fulfilling that promise.

PUBLIC SERVICE
...AT THE CROSSROADS OF THE EAST

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banks have a large portfolio of loans on which rates are being adjusted upward in keeping with present money market conditions. Investment yields on bonds are also much higher than a year ago. As a result both gross and net earnings in the banking business are likely to show substantial gains in 1957.

FRANK H. BISHOP

President, Allied Products Corporation

About one year ago we predicted that Allied would show more than a 25% increase in sales during 1956 with a substantial improvement in profit. The actual sales figure, which has just been compiled, indicates an increase of almost 40%, going from approximately $19,095,000 in 1955 to $26,500,000 in 1956. While the profit for 1956 has not been computed, 11 months figures imply that the full year will exceed the 1955 profit of $1,200,000 by approximately 50%.

Frank H. Bishop

This unusual improvement for an automotive die, tool and parts supplier springs mostly from the fact that we increased our large die, tool, prototype and short-run stampings facilities coincidentally with the largest usage of these services ever recorded by the automotive and appliance industries in any one year. This increase in plant investment was made over the last two and a half years and was financed through equity sales, long-term borrowings, as well as retaining a portion of the profit in the business. The increased service for large sheet metal die users has been a growing thing with Allied. Starting with the original iron and steel dies, we moved into the Allite (zinc alloy) fast-casting dies and finally to plastic sheet metal dies and combinations of plastic, Allite and hard metals. In addition to this we have established a very unusual prototype sheet metal shop for stamping pre-production model panels. Finally, we recently built and equipped a plant to supply large sheet metal stampings for special short-run automobiles, trucks, and other durables. This rounded out and improved sheet metal die and parts service will continue to assure for Allied a larger share of the tooling market for model changes of durable goods.

The second large segment of our business, namely the RB and Hercules interchangeable punch and button die business, which we term our "small tooling" activity, also recorded a sizable increase for the eighth consecutive year. In the last two years this activity has also had a new plant addition and improved equipment to provide for volume increases and new fields being explored in the "small tooling" business.

The third large segment of our business, namely the production of component parts, decreased substantially in 1956 contrasted with 1955, particularly for the automotive industry. These parts include cold-forged parts, powdered metal parts, cold-flow parts and precision-ground parts. A reduction in volume generated keen price competition and resulted in a lower margin of profit on the automotive end of this business in 1956. However, the aircraft engine precision parts line showed a reasonably good improvement in 1956 over 1955, both in volume and profit attainment.

Now, looking into 1957, by study as well as discussion of the business expectations of the automotive industry with some of its leaders in Detroit, we are forecasting that 1957 will see about 10% more cars and trucks sold than 1956. We also believe that the tooling work in 1957, at least at the present writing, will not approach the extraordinarily large tooling programs the truck and automobile people undertook in 1956. This is borne out in our company by a considerably lower backlog of tool and die work at this point in 1957 than existed at this time last year.

Looking over general business conditions for the country as a whole, we feel there should be a continued slight improvement in the industrial index, brought about mainly by continued large capital expenditures, increases in Federal spending, and the maintenance of high personal income for the greatest number of people ever employed in this country. This picture on the general economy would indicate that our line of small tools, which is a nationally distributed item, should achieve its ninth consecutive year of moderate increase.

In addition, we feel that the aircraft engine and guided missile business, of which we are a substantial parts contributor, will continue to improve particularly under the distressed world conditions, and that we should perpetuate the 1956 volume betterment of this business during 1957.

Now, over-all, considering the fact that we will probably have less tool and die work, large gains are not expected in 1957. We do, however, feel that we will have an increase of somewhere near 10% because the component parts line expected improvement should offset to a large extent the reduction in the large tooling service. This, augmented with increases in the "small tooling" line, plus the anticipated increase in the aircraft engine parts business should net us sales approximating $29,000,000 for 1957. However, because we anticipate that price competition on all of these items will be more severe, no increase in the net profit over 1956 is projected, but we hope to equal the 1956 performance in this respect.

Naturally, this forecast is predicated on the fact that there will be no unusual change in the existing state of world conditions during the year. We do not think there will be, because we feel very strongly that our President has able and effective control of our affairs in international matters. We believe firmly that if anyone can do the job, he is the man to steer our national ship through the troubled waters of 1957 and future years toward a just and lasting peace with all nations.

All in all, we are looking for most segments of business, including Allied, to continue at a high level of activity in 1957.

ROBERT F. BLACK

Chairman, The White Motor Company

Following a record year for manufacturers of heavy-duty trucks and truck tractors and for the parts sales and service business, all signs point to another active year for the industry in 1957. Heavy-duty truck producers should be able to match their record-breaking 1956 sales volume in the 12 months just ahead.

Robert F. Black

During 1956 more than $600,000,000 worth of trucks in the 19,501-pound gross vehicle weight and over category was placed in service by our industry, an increase of around 12% over the value of these vehicles in 1955 and almost 100% more than the 1950 total.

The reasons behind this steady growth are still very much in evidence, and include the increasing costs of transporting goods, the multi-billion-dollar Federal highway program, expansion of population, decentralization of industry and population, construction of shopping centers at the rate of 600 a year and others.

As higher and higher emergency and permanent freight rates are imposed and labor costs of transporting goods continue to edge upward, private and contract shippers in general are more determined than ever to find more economical means of moving the goods they produce or sell at wholesale or retail.

This presents a growing potential market for the newest types of trucks and truck tractors that can transport greater payloads to consignees in faster time. White Motor heads into 1957 with its most complete line in history, which includes several new White models designed specifically for more economical over-the-highway movement of goods and new Autocar models for specialized extra-heavy hauling in construction and road-building work.

An important force injected into the long-term outlook for our industry is the fact that the current year will see the beginning of the influx of new orders for off-the-highway construction vehicles and equipment as a result of the $30-billion-plus governemnt road building program. This can be likened to a "pilot-light," contributing new business to our industry and to White Motor for the next decade or more.

This program will benefit our industry in two ways. First, actual construction operations on the highways are going to require the use of thousands of all types of heavy-duty trucks in which White and Autocar specialize; and second, after the highways are completed they will open up new vistas, both in location of new industries and in more convenient through-ways, for the facilities offered by trucks.

WILBUR T. BLAIR

Vice-President and Treasurer, Sharon Steel Corp.

The year 1957, should be one of the top years for the steel industry. This, of course, is not news. If steel did not break records each year, it would not continue to be the vigorous industry it has proved itself to be.

William T. Blair

During the first half of the year, we expect the industry to operate at a 100% capacity level. The outlook for the last six months, while good, may experience some decline, and it appears now that the industry's production may dip below a 90% capacity level.

Steel purchases by the auto industry may be one cause of the decline, as auto production drops during model changeovers. Another reason the first half should be better than the second is that steel buyers may purchase ahead to offset the anticipated price rise as a result of higher labor costs in the second half.

During 1957, the industry will probably witness increasing prices. The industry has been trying to absorb the higher costs of labor, iron ore, scrap, coal and limestone, but the cost pressures make increased prices almost a certainty.

Even the cost of steel expansion has been steadily climbing upwards. Twenty-five years ago, it cost $50 a ton to build new steel capacity. Today, the figure is over $350 and is still rising.

And steel must continue to expand. It is the backbone for the continuing economic growth of the country. Besides providing for the population increase of 3½ million a year, steel must be available for the expanding highway program. This alone will require 4½ million tons per year for the period 1957 to 1969. The Federal highway program, by itself, can almost absorb the expansion rate of five million tons per year now in progress.

The rising standard of living in the United States has increased the demand for steel fivefold on a per capita basis since 1900. The average family of four people today calls for a steel capacity of three tons. This means that by 1970, when the population reaches 200 million, we will need 200 million tons of steel.

Besides providing for the expanding economy, steel must be ready to meet world crises. The Suez situation is just one example of how dependent the world is upon steel. The full force of the oil cutoff through Suez has not yet been felt. If the Suez problem is not cleaned up shortly, there will be a big call upon steel to provide even more tankers in 1957.

Estimates for the years ahead are even more favorable than for 1957. Once the Federal highway program gets into full swing and the railroad industry gives the go-ahead on their estimated $20 billion spending for new equipment over the next ten years, the demand for steel should continue upward.

Instead of a five million ton yearly expansion, the figure should be closer to seven million tons, which indeed spells prosperity for the industry for a long time to come.

JOSEPH L. BLOCK

President, Inland Steel Company

Nineteen Hundred and Fifty-seven should be another good year for the steel industry. Operations are now at or above rated capacity, and present demand indicates that this should be sustained through the first quarter, and very likely for the second quarter as well.

Joseph L. Block

Beyond this, it seems likely to me that there would be some tapering off in demand with a lower rate of operations for the last half of the year. I say this because I believe steel consumers are gradually building up inventories. An additional factor is the tight money situation which should be a restraining influence in respect to consumer purchasing and capital expenditures.

Nevertheless, total production for 1957 should approximate 120 million tons of ingots of about 90% of capacity. Should this come to pass, it will be another record for the industry.

ROGER M. BLOUGH

Chairman of the Board, United States Steel Corp.

The steel industry enters 1957 at a record-breaking rate of production and there are indications that steel consumption may well set a new record during the next six months. Had it not been for a 34-day strike in mid-1956, the past year undoubtedly would have established a new production record. Now, with a three-year no-strike contract the steel industry may look forwar to unterrupted production in serving its market.

Roger M. Blough

Despite the problems which confront the steel industry we enter the year 1957 with expectations of good steel production for some months to come. This expectation is supported by the strength of the over-all economy and of the consuming industries vital to steel.

Our best estimates indicate that Gross National Product, the nation's output of goods and services, will continue its upward movement well into 1957 and that over-all industrial production may well establish a new high in the first half of 1957.

We agree with predictions of the automobile industry that high consumer income and sharp styling changes in 1957 automobiles should result in the production of more cars in 1957 than in 1956.

Machinery expenditures should rise slightly. Total construction expenditures, aided by public utility construction and highway building, will continue at a strong pace despite some decline in residential construction. The capital goods boom, however, has begun to slow and output in the second half of 1957 is not likely to equal the first half rate.

Oil and gas drilling activity will continue to increase, given additional impetus by uncertainties over Middle East oil, while United States shipyards will be straining to meet urgent demands for merchant shipping, particularly tankers.

Production of freight cars ought to be at the best level attained in several years, and with improved farm income there is a better outlook for agricultural implements.

This pattern of steel demand and production will result in a high level industry operating rate, with output probably higher in the first half of 1957 than in the last half.

With regard to steel industry expansion plans, announcements have been made to date by industry spokesmen that add up to more than 15 million ingot tons of additional capacity by 1958 or early 1959, and it seems likely that the industry's plans will continue to grow beyond the 143 million ton total projected by the end of 1958. This expansion program will round out and modernize existing facilities, improving the quality

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of products in many instances as well as adding substantially to capacity.

United States Steel will continue to share in this program of expansion and modernization as it has in the past. We are ever conscious of the importance of long-range planning in our efforts to serve our customers and to anticipate future steel markets. During 1956 we announced plans to add 670,000 ingot tons to the steel-making capacity of U. S. Steel's Pittsburgh district plants and 1.3 million in the Chicago area. Much of this increase will be concentrated in heavy products, such as plates and structurals now in tight supply. Other corporation expansion programs under consideration, as well as the time schedules of those announced, will have to be re-appraised in view of the Government's decision last week not to re-open certain expansion goals.

In reviewing and evaluating the activity of the steel industry as well as business in general, it must be recognized that forces beyond the control of business management are at work in the nation. A major force is the unremitting cost inflation within the framework of which affairs of business have had to be conducted for nearly two decades.

Like other industries that require heavy investment in long-lived fixed assets with the consequent heavy outlay of capital expenditures to replace facilities as they wear out, steel producers are increasingly concerned with the problem of inflation.

Because of the inadequate amounts recovered from depreciation there has been a heavy drain on profits. Contrary to historical uses of profit, businessmen are finding that a substantial portion of their profits have to be devoted or reverted to replacement of existing plant and equipment. The erosion of profits during the past 15 years of inflation has posed a problem for all businesses — large and small — in replacing worn-out equipment and expanding to meet a growing economy.

The steel industry of this country has done an outstanding job in meeting the increasing demands that have been thrust upon it in recent years. For instance, U. S. Steel, since 1945, has spent some $3 billion in modernization and expansion and it intends to spend more.

Basically, however, the problem of heavy industry, where large amounts of money are required for equipment, lies in the need for a revision of depreciation allowances under the tax laws. Need for such revision again is rooted in growing inflation. Under the present law business is allowed depreciation for only the number of dollars originally invested in a given facility regardless of the decline in the dollar's buying power. When it becomes necessary to replace such a facility, we find that inflation has increased equipment costs several times over the cost of years ago.

LYMAN B. BRAINERD

President, The Hartford Steam Boiler Inspection and Insurance Company

While no one can foresee with certainty what 1957 will bring, there seems to be nothing in sight now that would warrant an expectation of any slackening in the demand for the engineering and underwriting services provided by the boiler and machinery insurance companies. The year just ended has been an active one for this branch of the insurance industry and, overall, a satisfactory one.

Lyman B. Brainerd

Official figures are not available at this writing, but indications are that in both written and earned premiums the boiler and machinery insurance industry set new high marks in 1956. It appears likely that writings will be found to total about $65,000,000, with earned premiums approximating $62,800,000. This means that written premiums exceeded those of 1954, the next highest year, by almost $2,000,000, and earned premiums surpassed the $60,000,000 level for the first time. Naturally, along with this increase in premium volume—which reflects the high rate at which industry in general operated in 1956—came also an increased exposure to loss. It appears that the year brought the highest dollar volume of incurred losses which the boiler and machinery insurance line has yet sustained. The total seems to have been something like $16,000,000. If that estimate is borne out, the loss ratio for the line should rise slightly above the 24.5% set in 1955. Even so, however, end of the year figures should show the line as having produced a moderate gain from underwriting.

Among the losses incurred during 1956 were some fairly large ones. However, the most noticeable characteristic of the general run of losses was a decided increase in the cost per loss. Because steel and copper are used so extensively in power plant equipment, price increases for these two metals were factors in raising costs of both new equipment and repair parts. Prices of most durables, including building materials, moved upward during the year as did labor costs. Price inflation of this sort makes itself felt quickly in the losses occurring under boiler and machinery insurance policies.

New products and new manufacturing processes which have appeared in such fields as chemicals, petrochemicals, plastics and synthetic fibres, are engaging the close attention of the engineering departments of the insurance companies, not only in analyzing the new hazards created, but in developing on their staffs men having the specific knowledge needed in making effective inspections of the special machines and vessels used in the processes.

The insuring and inspecting of nuclear energy power plants continues to occupy the attention of the property and liability insurance companies in general and the engineering staffs of boiler and machinery underwriters in particular. The year saw progress in setting up means whereby capacity for the extremely large limits sought for both property and liability exposures may be made available through pools participated in by many companies. However, prevention of accidents at nuclear power plants should be of even greater importance than the providing of indemnity for loss and it is this that will call for engineering services of the sort in which boiler and machinery insurance companies have had many years of specialized experience.

For this branch of the insurance business, 1957 promises to be a year of continued opportunity for serving industry's ever-growing needs for the line's protective services on boilers and power machinery.

FRANCIS C. BROWN

President, Schering Corporation

The future of the pharmaceutical industry is based upon medical and scientific advance. It is as unlimited as is the variety of diseases that may afflict man and animal. The lives of countless millions and their capacity to earn a living have been altered profoundly by it.

Francis C. Brown

The most revolutionary factor in modern society is clearly the changing picture in health and nutrition. Medicine has changed dramatically, and the possibilities for health and long life are extraordinary in terms of a few decades ago. Each day finds reports of important new discoveries in medical science. New advances in diagnosis, innovations in patient care and powerful new drugs designed specifically to counter age-old diseases crowd each other in the rush of scientific progress.

Today we stand at the threshold of possible controls or cures for many of the most afflicting ailments of mankind. Many of the lethal diseases of a few decades ago have yielded to antibiotic and chemotherapeutic agents. The sex hormones have solved many of the problems of life and glandular imbalance and the newer knowledge of the vitamins and nutrition has materially improved the health of a new generation. The human machine is yielding its secrets to the research worker. Mental diseases are now for the first time being effectively treated with counteractive and calmative agents. Even the number one crippling disease, rheumatoid arthritis, is being effectively controlled by use of the newly discovered "Meti" steroid drugs.

Such progress has not come about by chance, nor have these discoveries all happened at once. The pharmaceutical industry has long recognized its responsibility and its opportunity in the field of research in drugs. Schering, for instance, has plowed back into research each year, for more than a decade, more than 10% of every dollar income for the purpose of discovering new compounds or improving old compounds. Hundreds of new drugs have been developed and studied in a year, with perhaps only one or two finally reaching the market. Much of the research has been in fields where no product could be foreseen, only a possibility of a new contribution to scientific and medical knowledge.

There is no doubt that the pharmaceutical industry will continue its rapid progress and expansion throughout 1957. Many factors encourage this optimistic outlook. The market for pharmaceutical compounds is expanding. The increases in birth rate, the prolongation of adult life due to pharmaceutical and medical advance, the expanding overseas markets for pharmaceuticals all add to the potential market growth for our industry.

The financial condition of our industry is based on the discovery and marketing of effective drugs. The companies in our highly competitive field cannot rest on their past or present efforts. Frequently we find the most efficacious drugs superseded and made obsolete by a new discovery.

Continuing research also means that in time, perhaps this year, we may see a new avenue of research open for the first time. Cancer, cardiovascular diseases and certain heart conditions may soon fall before concentrated research effort.

In the past five years we have experienced the results of years of intense laboratory work. The broad-spectrum antibiotics, the mental-calming drugs, the potent new steroids, anticoagulants, and many other significant compounds have brought new hope to millions of persons suffering from a variety of diseases.

The time spent on unmarketable research work is not in vain, for in research it is the patient probing of the unknown, with the tools of knowledge we already have, that accounts for the "unexpected" advances.

The products of our laboratories are the future of our industry. Consequently, the keynote to the financial soundness of the pharmaceutical industry is research.

At present, all indications are that the pharmaceutical industry will have a favorable year in 1957. The long-range future outlook is as bright as the present.

GEO. GARVIN BROWN

President, Brown-Forman Distillers Corp.

When looking at the distilled spirits industry and its apparent consumption picture for 1956, one major development that occurred during the last month of the year has to be taken into consideration.

Geo. Garvin Brown

This is the price increase in the blended whiskey market. There is little doubt that these price increases will inflate sales figures for the year under review, not through greater consumer purchases but through larger trade inventories. Such stock-piling as reflected in 1956's volume, however, will deflate the normal sales pattern for 1957.

It is estimated that normally, without any price increase, consumption of distilled spirits in 1956 would have approximated 210 million gallons. This is 5% over 1955's consumption of 199.6 million gallons. One of the reasons for this growth is probably due to the Federal Government's curbing of inflation which was initiated early last Spring and created a tight money market for personal credit on high priced items such as automobiles, houses, etc. This credit curtailment undoubtedly channeled some dollars away from these high priced items to lower priced goods since the costs for essentials—food, rent, clothing—changed very little.

An inflated 1956 apparent consumption of 215 million gallons or perhaps higher will give the industry a gain of 8% over 1955 and comes closer than any other year to the industry's all-time high of 231 million gallons consumed in 1946, a year when cash was plentiful but consumer goods critically short.

However, regardless of the price increase in blends and its inflationary effects, 1956 consumption will still be the industry's second best year, and its expected growth during 1956 will, for the first time in many years, nearly keep pace with the over-all economic climb.

Each year sees a new record set for the number of decorative packages in the industry and 1956 was no exception. In 1955, the trade had available approximately 50 decanters as well as numerous other decorative packages for the consumer. These passed the 60 mark for the current season, and in addition to decanters the number of specialties continues to grow. For the 1956 holiday buying season it is estimated that consumers will spend approximately a quarter billion dollars for distilled spirits gift packages.

The decanter volume for 1956 should run about 36 million bottles or three million cases. This would easily be a record, and exceeds by far the volume of only several hundred thousand cases of five years ago. We do not think that it will stop here; new records will in all likelihood be set again in 1957.

The direction for the future, however, may not continue in the decanter field since this innovation has just about reached its ceiling in returns. This type of packaging, however, will most likely continue to account for the lion's share of the industry's gift sales.

The role of the distilled spirits industry in the lucrative Christmas gift field is not a temporary development. We think that it's clear that each year, as we in the industry produce more imaginatively beautiful gift items, such as the Early Times Coloramic Decor Decanters, we will take more and more of a share of this market.

In 1955, consumers expended $4.5 billion for distilled spirits. For 1956, taking into consideration higher consumer prices for spirit blends which affect only the last two months of the year and not in all states, the industry should receive from the consumer an estimated $4.7 billion.

In 1957, consumer expenditures for distilled spirits should hit the five billion dollar mark. This would almost equal the record amount spent in 1946, even though consumption in 1946 reached 231 million gallons while consumption in 1957 should run at around 215-220 million gallons.

Higher prices, not only because of the recent increase in blends prices but more importantly because of the $1.50 per gallon increase in the Federal excise tax in November, 1951, plus continually added states taxes, will result in dollar volume in 1956 almost matching 1946, though physical consumption volume will lag by about 6%.

In 1956 consumers used an estimated 1.63% of their buying power for distilled spirits, as against 1.65% in 1955. Though consumption will be higher, it will not keep pace with the increase in consumer's buying power of some 6% over 1955. The industry's share of the consumers' expenditures for 1956 will hit its lowest level in years, comparable to that of mid 1930's depression period. Once again, while the economy has climbed to record heights, the distilled spirits industry participation in this growth continues at the depression level.

Inequitable taxation must bear the main responsibility for this situation as 1956 saw state and local taxation for our industry continue upward. A scheduled change in the $10.50 per gallon Federal excise tax rate promised for last April did not occur, and there seems little hope that the promised reduction in April, 1957, will be granted. In addition to the tax increases on consumption in several states this past year, Kentucky increased its production and importation tax rate by 100%.

There is no doubt that any change downward in tax

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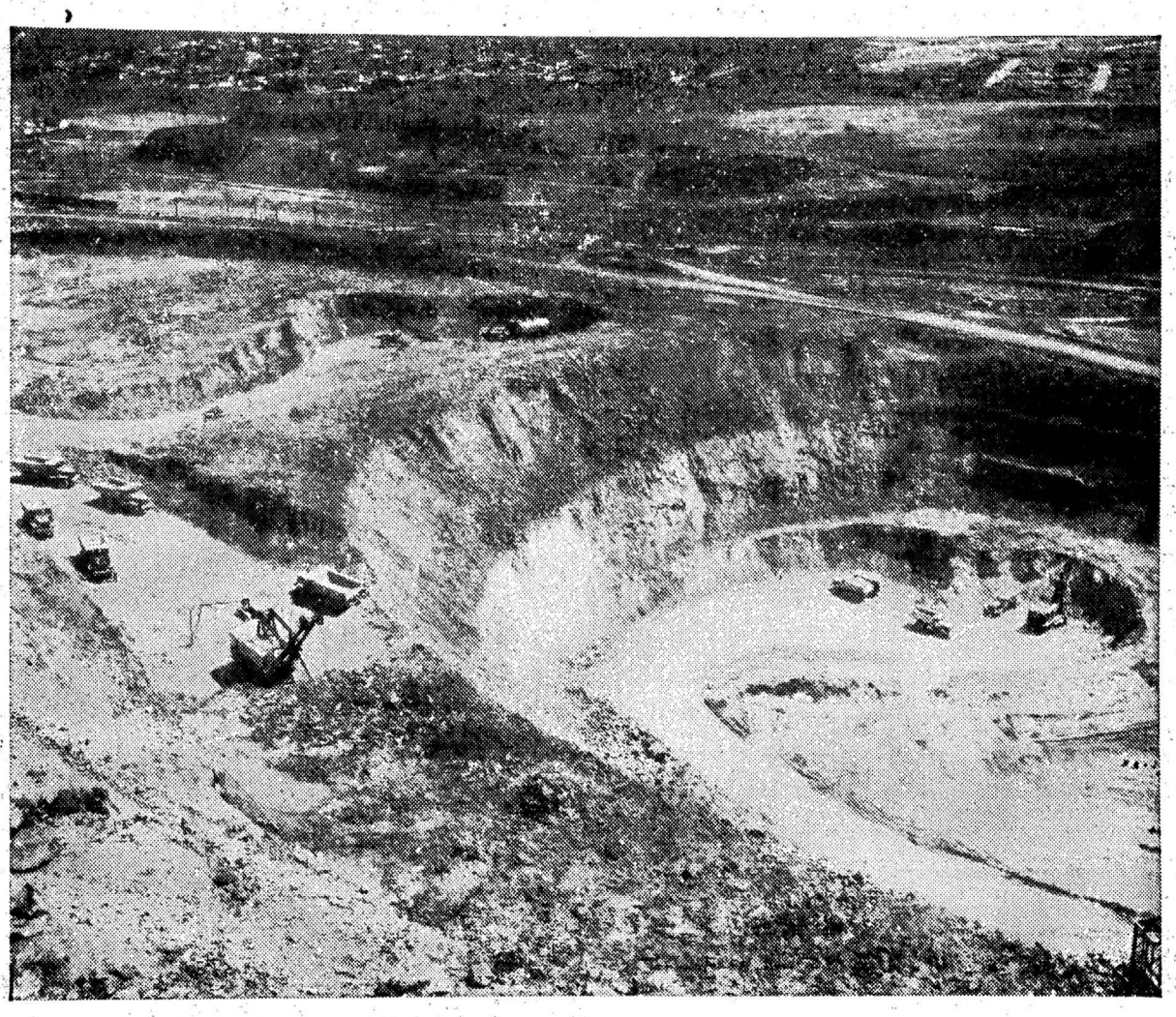

A new source of **COPPER** *from "the richest hill on earth"*

At Butte, Montana—"the richest hill on earth"—copper's future has never looked better. One reason is Anaconda's activity at Berkeley Pit, where a new open pit mining operation is recovering profitable low-grade copper ore.

Experimental work at Berkeley Pit, begun in 1954, assures an ore reserve of at least 100 million tons. Today Berkeley Pit is yielding ever-increasing ore tonnages. When fully developed in mid-1957, this project alone will be adding 65 million pounds of copper annually to the world's supply and will continue to do so for many years to come.

Berkeley Pit is just one phase of Anaconda's program which assures for Butte a mining future even brighter and longer than its long, productive past.

Meanwhile, Anaconda continues to apply its more than 60 years' experience, not only to the development of new copper sources, but to meeting the expanding needs of industry for more and better products in the entire non-ferrous metal field.

56270B

The ANACONDA Company

Anaconda Aluminum Company
International Smelting & Refining Company
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Chile Copper Company
Greene Cananea Copper Company

PRODUCERS OF: *Copper, zinc, lead, aluminum, silver, gold, platinum, palladium, cadmium, selenium, tellurium, uranium oxide, nodulized manganese ore and standard ferromanganese, treble-super phosphate, arsenic, bismuth, indium.*

The American Brass Company
Anaconda Wire & Cable Company

MANUFACTURERS OF: *Copper and aluminum electrical wires and cables: copper, brass, bronze and other copper alloys in such forms as sheet, plate, tube, pipe, rod, wire, forgings, stampings, extrusions, flexible metal hose and tubing.*

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rates, particularly the $10.50 Federal tax, would naturally affect consumption favorably, primarily through the channeling of consumer dollars away from illegal sources of liquor to the legalized industry.

HON. HARRY F. BYRD

U. S. Senator from Virginia

Reduction of Federal expenditures by a minimum of $5 billion under the level proposed by the Administration for the new fiscal year beginning July 1 is necessary to justify consideration of any general tax rate reduction on a sound basis. Actually, the expenditure reduction should be greater because revenue at present rates is distorted by inflated prosperity which cannot safely be regarded as permanent.

Harry F. Byrd

I personally believe Federal expenditures can and should be reduced by far more than $5 billion a year without impairing national defense or any other essential federal function.

The Federal debt is dangerously high, and it should be reduced in this period of unprecedented prosperity. To justify tax reduction we must develop a surplus sufficient to cover both debt reduction and the tax cut. This can be achieved only through substantial expenditure reduction.

In these dangerous days it is imperative that we do two things:

(1) Strengthen our military power, and (2) strengthen our fiscal stability.

To do this we must eliminate nonessential expenditures, reduce the astronomical public debt, and on the basis of a balanced budget give relief to hard-pressed taxpayers.

The Federal budget for the coming fiscal year contemplates the highest Federal expenditure level in all our peacetime history, including the highest Federal expenditures for nondefense, domestic-civilian programs, and no reduction in foreign aid after ten years of these give-away programs.

Economic foreign aid should be at least reduced if not eliminated. In these days of unprecedented prosperity, nondefense domestic-civilian programs should be cut to the bone, and there is little reason to propose new ones. More efficiency in the military services would both strengthen our defense and reduce costs.

We have piled up the Federal debt to a point where the interest on it is costing 10% of our total Federal tax collections, and the debt itself is an important factor in inflation which has now resumed its devaluation of the dollar.

The Federal Government is doing too much both at home and abroad. Unless we retrench drastically in every nonessential function and program, there can be no justification for tax reduction and we shall continue to edge closer to financial instability which would render us powerless to defend ourselves or preserve our form of government.

HARRY A. BULLIS

Chairman of the Board, General Mills, Inc.

We have just completed a year when economic activity has reached the highest peak in history—in gross national product, in personal income and personal spending, in business capital outlay, and in employment. There has been a constant increase in momentum through 1956. That momentum will carry well into 1957.

Harry A. Bullis

The most powerful factor has been the upward thrust which the economy has received from the huge expenditures by business for new plant and equipment. Plans for capital expenditures extend well into the future. It is possible that a combination of increased construction costs, higher cost of capital and the squeeze of increasing costs against profits may cause some deferment of capital outlays. However, defense spending will probably increase and spending by state and local government will continue its upward trend.

Total personal income will be larger in 1957 as the result of increases in wage rates, some of which are already provided for in union contracts. Farm income appears to be improving.

Employment will be high because more people will be required for the expanded industrial plants and for the services needed by the constantly growing population.

The trend of prices will be higher rather than lower, but the price rises are not likely to get out of hand. It will be more difficult to earn profits, because increased costs cannot readily be passed on to consumers. Competition will be exceedingly keen.

We enter 1957 in a state of high prosperity and while the outlook on the domestic scene is excellent, we cannot disregard the international situation. It will be some time before the Suez Canal can be put back into operation. Even if good progress is made in working out settlements of problems in the Middle East, we will feel the repercussions of economic dislocations in England and Western Europe. We shall have to supply the oil they need and also the dollar exchange for its purchase. This will place an added burden on our monetary system. Europe may find it necessary to curtail its imports of United States products.

Our country is so much a part of world economy that American industry cannot take a complacent attitude about world affairs. Economic setbacks in other areas of the globe, especially in Europe, will affect us adversely. The months ahead will bring both hope and disappointment. One thing to the advantage of the free world is that the Hungarian episode has revealed to the "neutralist nations" the true character of Russian domination.

The outlook for the food industry is excellent. Consumers are still spending nearly 25% of their incomes for food. In 1955 the total was about $67 billion; in 1956, about $69-70 billion; and the trend is still upward. Population growth annually is adding nearly three million more mouths to feed and our growing children are eating more each year. Furthermore, the American people are still upgrading their diets.

An increasing number of housewives are working to add to the family income and they like the foods which require less time in the kitchen. They want ease of preparation as well as high quality.

I believe the demand for processed foods will continue to grow. All large food processors are working to develop better and more economical ways to prepare foods so they will be more nutritious, more palatable, and more convenient to use in the home. While processing adds to the cost, there are compensating factors in less waste, better quality and saving of time for the housewife both in her marketing and in her kitchen.

There is opportunity in the food industry for imaginative progress both in processing and distributing. The housewife wants new ideas in foods and the food industry will do its best to keep up with her wants.

C. RODGERS BURGIN

President, The New England Trust Co., Boston, Mass.

In attempting to give an opinion as to the business outlook for 1957, it seems to me that one is obliged to give more serious consideration to political and economic conditions outside of this country, in addition to those prevailing here, than has been the case since the early years following World War II. Even during the hostilities in Korea, the problems which confronted the Western World seem, in retrospect at least, to have been less complex and less far reaching in their economic effects than those with which we are faced today. It is because we cannot escape the repercussions on our own business economy of happenings and conditions in Hungary, the Middle East, Europe, and England, that we cannot afford to be overconfident as to the continuance of the boom in the United States.

C. Rodgers Burgin

On the domestic front, our country enters 1957 with business activity at a high level, the demand for credit showing no signs of subsiding, money rates threatening to move even higher and most signs pointing to a continuation of the boom. There are, of course, good reasons for believing that the first quarter, and perhaps the first half of 1957 cannot help being a period of high business activity, and that the sheer momentum of the forces responsible for our present state of prosperity will permit of nothing else. At the moment capital expenditures by industrial concerns are running at an annual rate of close to $38 billion and are expected to increase slightly in 1957. Government outlays will undoubtedly be higher, and consumer buying, particularly in the field of automobiles, is also expected to move up again.

But even with all of these favorable signs, there are to this observer a number of questions for which satisfactory answers are difficult to find, and which suggest the wisdom of a degree of caution in projecting our enthusiasm more than three or four months ahead.

Number one among these relates to the possible effects on our domestic economy of the troubles in Europe and the Middle East resulting from the Suez Canal crisis. Unless this situation is remedied far more quickly than seems likely, these adverse effects, not only on the economies of the countries of the Middle East and Europe, but on our own as well, could be far reaching and serious. They could evolve dollar exchange, trade activity, business prosperity, and even relations between governments. Since economic troubles in that part of the world will inevitably have an impact on affairs in this country, they will certainly bear watching.

Another question has to do with the supply of credit in relation to the demand. Capital projects requiring long-term investment, such as new plant construction, roads, schools, public buildings, dams, and residential structures are normally financed out of savings, and the amount of long-term credit available for these projects is limited by the rate of savings of the country. With the present enormous and increasing demand for this kind of credit, one wonders whether the money being saved is sufficient to supply the demand. Commercial bank credit for the shorter-term needs of business and trade is also swollen today, and the insatiable demand for both of these types of credit—long-term and short-term—is the reason for today's high interest rates. That they should be allowed to rise without interference, and make further borrowing increasingly expensive and more difficult is to the everlasting credit of the Federal Reserve authorities. Any other course at this stage of the game would simply invite disaster.

Accompanying this great surge of borrowing and spending have come higher and higher wage costs, higher costs for raw materials, higher inventories, and perhaps to be in evidence soon, lower profits for business. How far can we stretch our economy without something letting go, if the stretching continues here, or getting ourselves perilously vulnerable to the same result if a squall should come up in Western Europe?

L. M. CAMPBELL

President Second National Bank, Ashland, Ky.

The consensus of opinion appears to be that the tempo of the 1956 economy will, with possible minor exceptions, continue well into, if not throughout, the year 1957. Accepting this as a correct conclusion, business, large and small, must gear operations to conform with a continuation of the speed of the economy, in addition to the projection of the extent of its duration.

As an important part of this planning, credit requirements for operating and capital expenditures must be very carefully considered. In numerous instances such planning will materialize into applications for legitimate credit needs.

Many areas reported in 1956 a presence of credit demand in excess of available funds for lending, thereby producing a "tight money" money condition. Such circumstances are inevitably accompanied by higher interest rates. Anticipating that there will be no reduction in the demand for credit in 1957, as compared with 1956, it is highly improbable that the borrower will enjoy a lower interest rate during the ensuing year. This condition might well prevail until the supply of available funds for lending is in better balance with the applications for credit.

Many bankers share the feeling that the Board of Governors of the Federal Reserve System, during this period of higher interest rates, will continue to exercise their existing wise policy of credit restraint, without which the inflationary potential of the high level of our economy might well get beyond control.

I feel confident that the banks across the nation will do everything possible consistent with sound economic practices, to satisfy the financial requirements of their customers.

FREDERICK P. CHAMP

President, Cache Valley Banking Company, Logan, Utah

As we enter the New Year, I see no immediate basis for an easing in the money market unless Federal fiscal authorities decide to resort to measures which would be inflationary and, I think, unjustified, despite the current squeeze. I am one of those who believe that adjustments of this kind are wholesome and are needed in a rapidly growing economy, which can easily get out of hand if it continues to operate under forced draft with the help of easy credit.

Frederick P. Champ

I am also one of those few mortgage men who do not feel that it would be a calamity if, in a given year, we failed to build more than one million new houses in this country, because I believe in that field also periodic stock-taking is necessary and makes for sound growth. The fact is that we have been building too many houses and that not only has this building boom contributed substantially to the unusual demand upon the supply of credit, but it has developed soft spots in certain areas which have actually been over-built.

As for business, I think we can be assured of a relatively good year in 1957 and that if we have the courage, patience, and prudence to uphold a stiff credit policy, we can have a relatively stable dollar as well.

ORVILLE S. CARPENTER

President, Texas Eastern Transmission Corp.

The year 1956 was one of great progress for Texas Eastern. Highlighting the year's activities was the beginning of construction of a new pipeline southwestward to the Mexican border and the expansion of other company facilities. When this pipeline is completed, Texas Eastern will become the first major importer of natural gas from Mexico for resale in the United States.

Orville S. Carpenter

The full impact of this new program on the company's earnings will not be felt until late in 1957. Initially, the new line will increase Texas Eastern's system capacity by 250,000,000 cubic feet of natural gas per day or approximately 20%, but of particular importance is the location of the new line which makes available gas reserves in the United States and Mexico which were previously too distant from the company's lines to provide sources of supply. Several contracts have also been negotiated with domestic suppliers for additional reserves in fields along the route of the new line.

Supplementing the favorable prospect of increased

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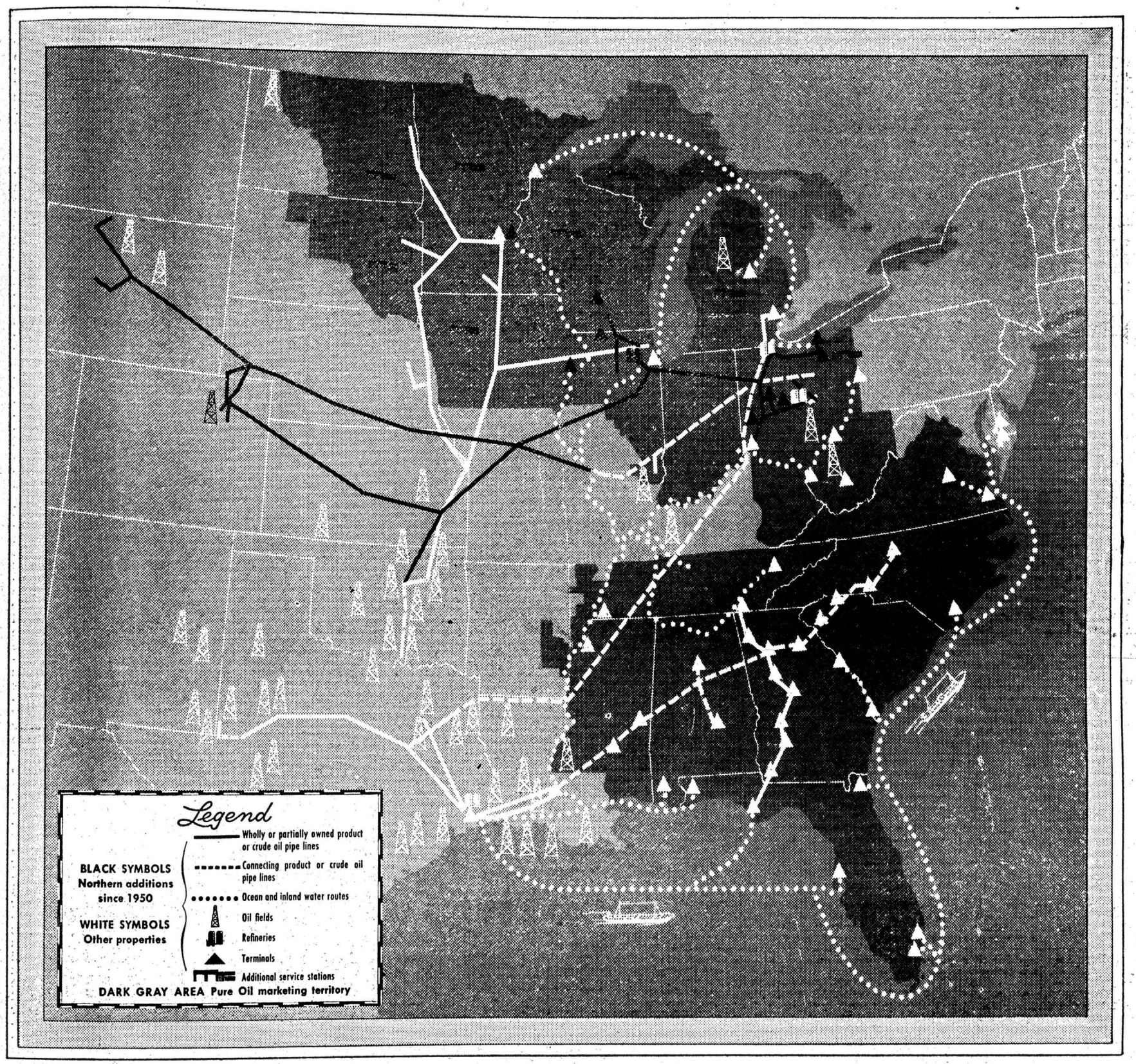

Look what's been added to the Pure Oil picture

Since 1950, Pure Oil has added the equivalent of a completely integrated oil company to the Northern segment of its operations.

In just six years, important production in Colorado, interests in eight pipe lines, a complete refinery, and nine terminals have been added. And through the acquisition of the W. H. Barber Company and Benzoco, and the conversion of the Hickok Oil Corporation, more than 2,300 additional PURE station outlets now serve an increasing number of motorists in the North.

This remarkable growth brings greater efficiency and economy in a key area of PURE's operations. Matter of fact, a great surge of growth and progress is being experienced throughout the entire Pure Oil operating area . . . expanded production, increased refinery capacity, added transportation facilities, more modern marketing outlets, continued product research and development.

These are the signs of a healthy, vigorous and progressive business . . . the planning of a forward-looking oil company.

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revenues resulting from the Mexican expansion program, Texas Eastern's 1957 prospects are further enhanced by the diversification program which will see the entry of the company into a major new business, the large scale pipeline transportation of petroleum products. Hearings are now in progress before the Federal Power Commission concerning the reconversion program. The company expects a favorable decision on the issue early in 1957, and anticipates initiating activity as a major common carrier of petroleum products by mid-summer of 1957. It is confidently anticipated that the operation of the Little Big Inch as a common carrier will be profitable from its inception, and will contribute to the company's future earnings.

O. W. CASPERSEN

President, Beneficial Finance Co.

1956 passed into economic history with gross national product, national income, employment and most other economic indexes at an all-time high, but with widespread concern over the inflationary trend. After several years of wholesale and retail price stability, these price levels are beginning to move up.

O. W. Caspersen

The last half of the year was characterized by tight money conditions as the demands for credit from government, business, and consumers exceeded savings. Banks and insurance companies had to sell government bond reserves to increase their loanable funds. The lower liquidity position of the institutional lenders, depressed bond prices and increased the cost of money. The Federal Reserve Board made a number of upward revisions in the rediscount rate and took other measures to discourage would-be borrowers. International developments aggravated inflationary trends.

1957 starts with no slackening in the demand for funds. The outlook is for increases in all the economic landmarks, but with probably half the increases reflecting inflation in costs rather than increases in real production or purchasing power. The cost-profit squeeze will continue to push industry to invest in more efficient equipment and machinery. International stresses will certainly not allow any significant drop in Federal expenditures. Capacity operation of the economy may bring danger of inflationary pressures, but it means high level of employment and high consumer incomes. With increased incomes consumers will continue their upward grading in consumer patterns. In this process they will use consumer credit freely. Even if there is some easing of inflationary pressures as the high capital investments of the last few years come into production, manufacturers will depend on high consumer purchases, and the accompanying use of credit to clear the market.

For these reasons we look forward to expansion in the use of consumer credit, and more particularly in our field of small loans.

Tight money will raise interest rates somewhat, but well established small loan companies will be able to secure funds for sound expansion.

HAROLD E. CHURCHILL

President, Studebaker-Packard Corporation

There is every indication that the automotive industry should be in a very healthy condition with a rising market during 1957. With major styling and engineering advances for the new models, more people will be looking and buying cars and the over-all sales volume should be close to 6,500,000 cars for the year.

Harold E. Churchill

This will be a very favorable atmosphere within which Studebaker-Packard will move forward on its new program to strengthen its products in the market place. With cost reduction and sales development phases of this program on target entering the new year, the firm is aiming for a break-even point in the near future and profitable operating rates by the end of 1957.

With first production of Packard Clippers in South Bend Dec. 19, the company completed its plan to concentrate all its domestic automotive manufacturing in plants in that city. In addition to substantial cost savings resulting from this move, new standards of quality, craftsmanship and manufacturing efficiency have been possible which will benefit purchasers of the company's cars and trucks.

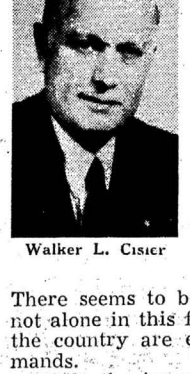
While this program is on a "lean and hard" operating basis to bring costs back in line with expected sales volumes, it also represents a new approach for the company in its market coverage. Product and promotion programs will emphasize the low and medium priced fields where traditionally Studebaker-Packard has had its greatest acceptance among the non-mass buyers who want advanced engineering in cars that in styling are distinctive from the other cars on the road.

There is every confidence that the corporation has the products, the programs and the management to meet its objectives in 1957.

WALKER L. CISLER

President, The Detroit Edison Company

Here in Southeastern Michigan, the automobile center of the world, the economic outlook for 1957 appears bright. Automobile manufacturers have spent very large sums in order to provide distinctively new models and the public reception of these new cars has been enthusiastic. This leads to the belief that automobile sales and auto plant operations will continue at high levels throughout 1957. Although Michigan has a wide diversity of industries, the operating level of the automobile industry naturally is reflected throughout the entire economy of the State.



Walker L. Cisler

As industries continue to expand, one of the most definite trends is the use of more and more electric energy. Our large power customers, in order to improve their competitive position, are continually planning and building new facilities which require large blocks of power. There seems to be no limit to such advances. We are not alone in this for other power companies throughout the country are experiencing similar increases in demands.

While the increased use of electricity in homes and commercial establishments may be less spectacular, the percentage increase is larger than for industry and it seems definite that this situation will continue for the next several years. Better lighting, more appliances and many other factors are contributing to increased power consumption by domestic customers. Air conditioning already is an important factor, and the time when electric space heating through the use of heat pumps will be practical may be close at hand.

All of these combine to indicate substantial growth for the electric power industry here in Michigan and throughout the country. Detroit Edison's annual rate of revenue growth for the last 25 years has been 8% and we foresee no slackening in this trend. The year 1957 holds good promise of being approximately 8% higher than 1956 in both gross revenue and net income.

On the minus side, our wage and fuel costs are edging upward. During 1956, coal costs increased 47 cents per ton and freight rates went up 15 cents per ton. We anticipate further increases in 1957 of 25 cents per ton for coal and 10 cents per ton for freight.

These increased costs will be somewhat offset by our new highly efficient thermal generating equipment and other operating economies.

While there is great activity in atomic power development by the electric power companies throughout the country, it will be several years before power from this new source will become a reality. In Michigan we expect to carry on the construction of the Enrico Fermi Atomic Power Plant so that installation of a large part of the reactor building and structure will be completed by the end of 1957.

JAMES F. CLARK

President, ACF Industries, Inc.

1957 should be one of ACF Industries' best years.

Because we are diversified, it is impossible to relate our prospects to a single industrial area. My prediction is based on expected continued growth of the most remunerative part of our business.

James F. Clark

We once relied almost exclusively on sales of railroad equipment. Our diversification program has now reached the point where we earn roughly half our profits from non-railroad and non-defense business. The figures fluctuate, but indicate a general pattern of greater profitability from the "newer" items. In the fiscal year that ended April 30, 1956, 25% of our sales were in non-railroad and non-defense business, and that 25% accounted for 61% of our profits. In the first six months of the current fiscal year, non-railroad and non-defense business aggregated 22% of a greater sales volume and was responsible for 46% of profits.

The "newer" areas in which we are now active—the areas that are untraditional to ACF—include: nuclear energy, electronics, missiles and components, high pressure valves and fittings, and airframe components. The company has long been engaged in the fields of automotive fuel systems, railroad equipment leasing and manufacturing and defense products.

In nuclear energy, we have just announced receipt of our fourth and fifth orders for test and research reactors, thereby reaffirming our leadership in that field.

In missiles, recent declassification by the Navy of elements of its Sidewinder missile revealed that our Avion division was responsible for development of Sidewinder's guidance and control system.

In automotive fuel systems, we expect sales to increase at least 10% over 1956 due both to the improved outlook for the automotive industry and to additions to our list of original-equipment customers. The prospects for small gasoline engines such as those found in power mowers and outboard motors, is particularly bright. Carter Carburetor division is preparing its entry into the fuel injection field.

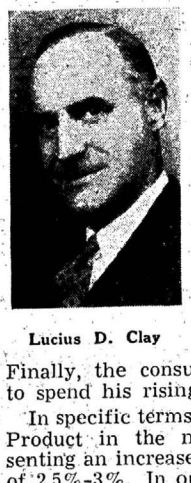
The above are merely examples. The others of our seven product divisions report similarly encouraging prospects.

In fiscal 1956, ACF earnings were $6.08 per share on sales of $245 million. It appears as of this date that earnings in fiscal 1957 will be approximately $7 per share. Despite the steel strike and the effect of the drop in 1956-model automobile production, earnings for the first half of the current fiscal year were approximately the same as for the corresponding period in the previous year. Our backlog of orders rose $16 million and now stands at $246 million.

LUCIUS D. CLAY

Chairman of the Board, Continental Can Company, Inc.

We expect 1957 to be another prosperous year, both for the United States economy as a whole and for the packaging industry. All signs point to a record level of business activity in the United States and that this prosperity will be well distributed throughout the nation and most of our industrial system. Industry, government and the population at large can all be expected to contribute toward creating the new record. Recent surveys of business investment plans indicate that industry intends to increase its spending for new plants and equipment by more than 10% during the year. Government spending will be higher, both for defense and for domestic purposes. The new Federal-state program designed to modernize the nation's highway system will begin to play an important part in this increase in government activity. Finally, the consumer will do his part by continuing to spend his rising income.



Lucius D. Clay

In specific terms, we expect this year a Gross National Product in the neighborhood of $435 billion, representing an increase in the physical volume of production of 2.5%-3%. In our own field of packaging, we expect to show a greater increase than this. The business of packaging benefits not only from growth in the quantity of goods produced in the United States but also (and perhaps more importantly) it benefits from one of the key characteristics of our modern, high standard of living. This is the enormous desire and preference for goods which are better, more attractive and more convenient to use than the goods we used to buy. Industry's continuing attempt to satisfy this desire has brought a rising emphasis on the packages in which its products are shipped and sold, and has led to a tremendous increase in the number, quality and variety of packages being produced. This trend will certainly continue in 1957. Consequently, we expect that the rate of growth in our own industry will be substantially greater than the growth in the economy as a whole, and possibly twice as great.

This year, probably even more than in recent years, this growth is likely to be at an exceptionally higher rate in the newer fields of packaging. An obvious example is plastics, where new materials and new methods have produced a host of packages with uniquely attractive and useful qualities. But there are many other examples, including many from the old and once unglamorous business of making metal cans. The aerosol can is probably one of the most unusual containers ever developed and is admirably suited to the modern demand for convenience and good looks. The aerosol is also an excellent example of a container which has itself helped to create a tremendous increase in demand for the products that are sold in it. While the bulk of the packaging business (and a good part of the growth) will continue to go to the more traditional forms of metal, paper and glass packages, these newer packages will play a key role in making 1957 the prosperous year we expect it to be for the packaging industry.

HARRY COHN

President, Columbia Pictures Corporation

The motion picture industry is part and parcel of the economy of America. It would be difficult to contemplate our pattern of living without motion picture entertainment, either in the theatre or through television in the home. We contribute to and benefit from its gross national product of more than $400 billion a year.

Harry Cohn

Columbia's participation rests primarily in theatre attendance and films for television. The former, our older business, after some years of diminishing demand in the face of the newer attraction of TV, shows convincing evidence of steady improvement.

Americans have an avid and inbred love for drama, mystery, comedy and documentary presentation. The motion picture can, does and will continue to supply that want, sensitive to changes in the mood and taste of the public, backing the courage of its experience with great resources of capital, talent and physical facilities.

Our country is hardworking and happily prosperous. Our people are fully employed. They demand for relaxation the entertainment product we supply. In that economic and social climate, motion picture producers with imagination and sound judgment will prosper in 1957.

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Andrew N. Overby to Join First Boston

The First Boston Corporation, 100 Broadway, New York City, has announced that Andrew N. Overby, who has resigned as Assistant Secretary of the Treasury and United States Executive Director of the International Bank for Reconstruction and Development (World Bank), will join the Corporation at its principal office in New York on Mar. 1, 1957. He will be concerned with all aspects of the investment company's business with particular emphasis on international and monetary affairs.

Andrew N. Overby

Mr. Overby has been Assistant Secretary of the Treasury since 1952, when he also was appointed United States Executive Director of the International Bank for Reconstruction and Development and a member of the National Security Council Planning Board. Prior to that, beginning in July, 1947, he served as United States Executive Director of the International Monetary Fund and in February, 1949, became Deputy Managing Director of the Fund.

Following his return to civilian life in 1946, with the rank of Lieutenant-Colonel in the Army, Mr. Overby rejoined the Federal Reserve Bank of New York as Assistant Vice-President and later in 1946 was granted leave from the bank to become Special Assistant to the Secretary of the Treasury. In that post he also served as the Secretary's Alternate on the National Advisory Council on International Monetary and Financial Problems. Mr. Overby has also been United States Executive Director of the International Finance Corporation.

Mr. Overby began his career in banking in 1930 with the Irving Trust Company, leaving to join the Federal Reserve Bank of New York in 1942.

During the course of his service with the Treasury, Mr. Overby's responsibilities have at various times included international financial and monetary activities, national security affairs, national banking supervision, the U. S. Savings Bonds program, and assistance on Treasury debt management problems and relations with the Federal Reserve System. He has represented the Treasury at many national and international conferences, and has attended all of the annual meetings since 1946 of the Boards of Governors of the International Bank and of the International Monetary Fund.

Hemphill, Noyes Co. Admits J. M. De Sieyes

J. Malcolm de Sieyes has been named a general partner in Hemphill, Noyes & Co., 15 Broad Street, New York City, members of principal securities exchanges, it has been announced. Mr. de Sieyes joined Hemphill, Noyes in 1946 and is currently manager of the research department.

Mr. de Sieyes, a graduate of Darthmouth College and Harvard University Graduate School of Business Administration, joined Crystal Research Laboratories, Hartford, Conn., in 1945 following service with the French Army, U. S. Air Force, and the Office of Strategic Services.

He is a member of the New York Society of Security Analysts.

Now Automation Shares

WASHINGTON, D. C. — The firm name of Automation Development Securities Co., Inc., 734 Fifteenth Street, N. W. has been changed to Automation Shares Management Corporation.

K. R. Heyman Opens

VERONA, N. J. — Kenneth R. Heyman is conducting a securities business from offices at 38 Howard Street under the firm name of K. R. Heyman & Co.

With Lakewood Secs.

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Ohio — Joyce J. Perrymore is now connected with Lakewood Securities Corporation, 14714 Detroit Avenue.

J. W. Alcorn Opens

BROKEN BOW, Okla. — James W. Alcorn is conducting a securities business from offices on Cameron Street.

Something new under the moon and stars!

Procter & Gamble continues to broaden and diversify its family of products . . . an important reason for the Company's year-in, year-out growth and progress

The products you see spotlighted above have recently been added to Procter & Gamble's already long list of successful brands.

What we would like you to notice particularly is their *variety*.

They include a toothpaste, a shortening, a household cleanser, a detergent for automatic dishwashers, a brand of peanut butter and the newly-acquired Duncan Hines line of baking mixes.

Some of these additions stem naturally from the Company's long success in the manufacture of soaps and detergents. Others—such as Big Top Peanut Butter and the Duncan Hines mixes—are a natural outgrowth of Procter & Gamble's interest in the production of shortenings and edible oils. All of them fit logically into the Company's established manufacturing operations; all of them call for the marketing and merchandising skills developed through experience in some of the most highly competitive businesses in America.

In Procter & Gamble's research laboratories, other new products are constantly being developed with a view to extending, diversifying and strengthening the Company's product family even more—and to giving greater service than ever to the nation's households.

This continuing search for new products—as well as the constant improvement of existing brands—has been a major reason for Procter & Gamble's steady, healthy growth and progress over the years, in the face of the keenest kind of competition. This growth, in turn, has helped the Company become a leader in providing Guaranteed Employment, Pension and Profit-Sharing Plans and other benefits by which our employees may share directly in the Company's continuing success.

Procter & Gamble

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L. L. COLBERT

President, Chrysler Corporation

The year 1956 will be ranked as the automobile industry's third biggest year, the retail market for new cars in 1957 should be bigger than 1956 by a substantial margin, and the whole long-range future presents a great, growing potential market for the automobile industry.

L. L. Colbert

The American motorist's enthusiasm of the really new models presented in the closing months of last year put increased vigor in the final months of the 1956 market. As an example of this surge in demand, at Chrysler Corporation our dealers sent us orders for more than 400,000 cars in the first 40 days after their introduction on Oct. 30. Our fleet sales people, whose 1956 business was ahead of 1955, report record orders running 100% ahead of 1955 and 50% ahead of 1954 for this same period.

In response to this demand our U. S. plants were geared up to produce more than 275,000 of our 1957 Chrysler Corporation passenger cars by the end of 1956.

There is a very good chance for 1957 to be one of the industry's two top years. Here are some of the reasons underlying our anticipation of a bigger market in the longer-range future.

In the eight years from 1947 to 1955, there have been added to the middle income group in the United States more than 14,000,000 families and individuals with personal incomes above $4,000-a-year. In the same period, the number of families and individuals with incomes below $4,000-a-year has decreased by 7,000,000. Families and individuals with incomes above $4,000-a-year now account for more than four-fifths of all personal income compared to two-thirds in 1947. As more and more families and individuals continue to move above the $4,000 annual income level they are able to spend more of their earnings for new automobiles and other durable goods.

According to estimates, new households will be formed at an annual rate of 810,000 from 1956 to 1960 and at an annual rate of 861,000 from 1961 to 1965. And a very large proportion of these newly-formed families will be new car buyers.

By 1965, the nation's population is estimated to increase to 193,000,000 from 168,000,000 in July, 1956. A major part of this growth will take place in the suburbs of the country's 168 metropolitan areas, resulting in an important increase in the number of two-car families.

Nearly 14% of car-owning families in our country last year had two or more cars, compared with less than 5% in 1948. This trend toward more multi-car families gives every indication of continuing.

To return to the automobile industry's prospects for the new year, one of the best reasons for anticipating a bigger market next year than 1956 comes from our own Chrysler Corporation dealers who have been telling us that there is a big difference between this and any other new-model introduction period they can remember. In previous years there has been heavy attendance in dealer showrooms on opening day, but it has always tapered off to normal in a week or ten days. Last year, however, showroom traffic remained heavy week after week. We credit this continuing interest to our completely redesigned cars with their "Flight Sweep" styling and lower lines, new Torsion-Aire suspension system, aerodynamic stability and added structural and safety features.

In view of the enthusiasm for the 1957 models, and taking into account the many evidences of strength in the economy and indications of an increasing demand for automobiles, there is a very good chance that 1957 could be the second biggest year in the history of the automobile business. This would put it above 1950, the second biggest year now on the books, when 6.3 million cars were sold at retail, and somewhat below the record year of 1955 when 7.3 million cars were retailed. That is the way our market for 1957 looks to us right now—given a reasonable working out of the serious economic and political difficulties abroad.

Following are some of the supporting reasons for expecting 1957 to be one of the industry's two top years:

(1) The national economy is prosperous and gives every indication of continuing to be prosperous. Employment is at an all-time high. Personal incomes are at record levels and are rising. Personal savings have been running at a higher rate than at any time since the end of World War II. In addition to these indications of strength, Federal spending for defense is continuing at a very high level and expeditures for roads and schools are climbing.

(2) Over the past three years approximately 18.5 million people have bought new cars; and a sizable proportion of these buyers should be back in the market for new cars again in 1957.

(3) Throughout 1955 and 1956 there has been a strong and steady demand for used cars, and used-car prices have held remarkable firm. To us this is clear evidence of a big underlying demand for automobile transportation that should express itself in new-car sales in the year ahead.

(4) At least two of every three of the new-car buyers in 1955 will not be limited by automotive instalment credit obligations from coming back into the market in 1957—any more than those who bought new cars in the years before 1955 will be limited. Our studies at Chrysler show that 35 to 40% of the people who bought new cars in 1955 paid cash. Furthermore, a substantial percentage of those who purchased new cars in 1955 on the instalment plan have already paid off these obligations, or will have them paid off sometime during 1957.

(5) The scrappage rate of cars that will need to be replaced by new cars has risen steadily in recent years and gives every indication of continuing to rise. For 1956 very nearly 4,000,000 cars will be scrapped. With the number of cars increasing, we can expect scrappage this year to be higher.

To meet the expected big demands for our products next year and in the future, Chrysler Corporation is expanding and improving its production facilities. Major construction projects in full swing include a stamping plant at Twinsburg, Ohio, scheduled to have eight of its 23 major press lines in operation by February 1957; and the conversion of the Delaware tank plant to a Plymouth and Dodge assembly plant. The conversion includes an addition which will nearly double the size of this plant.

JOHN S. COLEMAN

President, Birmingham Trust National Bank, Alabama

Business in this section has experienced another good year. In the last two years, industrial expansion in Alabama has reached a new peak. The improvements are state-wide and the character of products manufactured are very diversified. Some of the factors responsible for this growth are a very fine river system, the excellent Port of Mobile which connects with a number of the waterways, the abundance of many raw materials including timber, iron ore, coal, limestone, an increasing supply of trained labor and a favorable climate. While the per capita income in the state is below the national average, it has increased more than in most sections of the United States and the trend continues upward.

John S. Coleman

The farmers also have had a good year. While the cotton yield for 1956 was less than the previous year, it was in line with the general average of production. The other crops made a fine showing. The farmers are constantly using more machinery on their land which results in better production at less cost. Cattle is on the increase and the quality has greatly improved in the last decade.

Electric utilities are making every effort to keep apace with the growing demand for power. Substantial additions are under way at the Barry Plant and the Gorgas Plant of the Alabama Power Company. A huge new steam plant is to be constructed on the Coosa River. It will represent an investment of $150 million and will have an installed capacity of 1,000,000 kilowatts in 1964. The plant will be built by Southern Electric Generating Company, jointly owned by the Alabama Power Company and the Georgia Power Company, and will be located on a site easily accessible to ample coal supplies in Alabama. It is estimated that this operation will use 2½ billion tons of coal annually. The increased demand for coal has greatly improved this industry in the state.

The banks experienced a good year in earnings. The number of items handled and the amount of loans reached new highs. Aggregate deposits were slightly lower than a year ago but remained at high levels. We concur in the present policy of credit restraint adopted by the Board of Governors of the Federal Reserve System which has had the effect of curtailing loans, especially in the mortgage field. In our opinion, the ever upward spiral of wages results in added inflation thereby cheapening the value of the dollar.

The outlook for business here in the next six months is good. The demand for our principal manufactured products—steel, iron, pipe, cement, lumber and paper products—will doubtless stay on high levels in the months immediately ahead. It is believed that while the volume of business generally will be large, profit margins will be less due to higher operating costs and keener competition.

WHITLEY C. COLLINS

President, Northrop Aircraft, Inc.

Since the hectic, all-out production days of World War II, the aircraft industry has become increasingly competitive. National policy will continue during 1957 to recognize the need for a healthy and vigorous industry capable of designing and producing superior air weapons. This does not mean that the individual company in the aircraft industry is assured of success. Just as in any other industry, better management, a higher degree of ingenuity and a superior product are rewarded with success. Inferior performance is drastically repaid with failure, and the cost of chips in the aircraft game is high.

Whitley C. Collins

During the last decade conditions in the aircraft industry have reflected U. S. national policy in a world of almost continuous international tension. Production of aircraft and equipment to back up the national defense establishment still constitutes more than 85% of the aircraft industry's total effort, with only 10 to 15% devoted to commercial production.

Total production in the aircraft industry is expected to top $8,500,000,000 in 1957. The character of aircraft development and production has been changing in recent years, with rising emphasis on missiles, ranging from the small air-to-air type guided rockets like the Falcon to the giant intercontinental cruise type missiles such as the Snark, and vast research effort on the long-range ballistic missiles of the Atlas category.

The military customer today is caught between the tight squeeze of a limited national defense budget and the rising costs which result from immense research and development programs necessary to produce the complex modern weapons of today and tomorrow. To succeed, the modern aircraft manufacturer must help to solve this pressing problem by introducing greater consideration for the dollar into the engineering and production cycles and by balancing effectiveness with realistic economy.

In recent years, the U. S. aircraft industry has plowed back many millions of dollars into new facilities designed around the anticipated requirements of the national defense establishments. The well-managed companies have built up reservoirs of talent in the highly important scientific and technical fields, as well as skilled manufacturing groups.

At Northrop, we feel that we must use our best resources of science and technology to provide the low-cost solutions to a defense problem and to do our utmost to help achieve the goal of national security with national solvency. Continued dedication to this objective will make 1957 a good year.

S. SLOAN COLT

President, Bankers Trust Company, New York City

The year 1957 gives every promise of being another good year for American business. The momentum of current activity, coupled with the sizable unfilled orders already on the books, appears sufficient to keep the economy operating in high gear for some months ahead, and there are few signs of important weakness in those sectors which have been providing most of the upward thrust to business of late.

S. Sloan Colt

Industry is continuing its large-scale capital expansion programs. Most types of construction activity, with the exception of housing, are still moving forward, as is spending by state and local governments. The largest increase in several years appears under way in Federal expenditures. Moreover, despite rising prices, consumers continue to be willing buyers, and with wage rates advancing steadily, the outlook is for retail trade to attain new peaks. There is some question, however, whether business will be able to sustain the rapid pace of expansion at which the economy has entered 1957. Business plant and equipment spending undoubtedly will not continue to climb as steeply as in 1956, and a slowing down is likely also in the accumulation of business inventories. In the course of the year, some major industries, which have been running close to capacity in recent months, may well face a slackening in operations and more competitive conditions.

With the economy still advancing on a broad front and industrial commodity prices continuing upward, demands for credit likewise will probably remain strong and interest rates hold firm or perhaps even rise somewhat, at least for the time being.

Another large wave of tax borrowing is in prospect for next March. Also, business generally faces larger capital requirements, higher operating costs and the need to rebuild lowered liquidity. Thus, the commercial banks may be expected to see new peaks in loan demands during 1957.

In the long-term credit markets, the outlook also is for requirements to continue high. In addition to larger corporate needs associated with the financing of record plant and equipment outlays, there is a substantial volume of municipal financing in the offing. In keeping with the expected business pattern, however, the prospective slowing down of inventory accumulation combined with a tapering off in business investment spending could relieve some of the pressures in the financial markets as the year moves on.

For the immediate future, the problem confronting the economy continues to be one of containing inflationary pressures and preventing those speculative excesses which frequently develop in periods of great prosperity. In the present active business environment, with basic materials and labor in short supply and upward pressures on costs persisting, there is still need for keeping a tight rein upon credit expansion. However, credit policy alone cannot be expected to cope successfully with the wage-cost spiral. Continued erosion in the purchasing power of the dollar can be prevented only if the current pattern of wage increases is abandoned and future advances related more closely to gains in productivity for the economy as a whole.

Moreover, credit restraint should be exercised with caution, as credit is now tighter than it has been for a good many years and there are some who feel the business boom may be approaching a crest. Also, the possibility cannot be ruled out that unpredictable events

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Canadian Economic Growth Depends Upon Sound Currency

flecting the intensity of demand in the field of capital expenditure.

In short, overt inflation, to which I could refer on this occasion a year ago as only a potential threat, I must now report as a reality. So far, it can be said to be in its initial stages and far from rampant. But that is all the more reason why it must be resisted resolutely and vigorously now. It is not, of course, a problem that is peculiar to Canada. It is a problem that has been a source of mounting concern to many countries in recent months. But in the world-wide surge of expansion that has brought renewed inflationary pressures in its train, Canadian expansion has been exceptionally strong and this country is thus particularly vulnerable.

There is no single source from which inflation can be said to spring; it can arise from a general reaching out for more goods and services than are to be had, or from excessive demands for higher wages. Neither, by the same token, can any single means be regarded as wholly effective in quelling it. But of the means at hand, the one that can be brought to bear most quickly, the one that can be expected to act most powerfully and pervasively, and one that is a clear responsibility of a designated body, is monetary policy.

The Extension of Monetary Policy

To combat incipient inflation in Canada, central bank policy had already shifted from "easy money" in the summer of 1955 to quite severe monetary restraint by the end of October of that year. In the ensuing 12 months that are covered by our financial statement, the central bank continued to exert pressure, with varying degrees of intensity, to prevent an expansion in the nation's money supply. In consequence, market interest rates, apart from two declines that proved temporary, moved into higher ground. During the 12 months, the Bank of Canada's discount rate, in conformity with the upward trend in market rates, was raised from 2¼% to 3½% in four steps, each of which carried it successively to a new historical peak. Since the beginning of November last year, the central bank's rate has been made even more closely responsive to money market conditions by being set weekly at a fixed margin of ¼% above the average tender rate for 91-day Treasury bills.

While the main technique employed in carrying out a restrictive monetary policy continued to be the traditional one of central bank money market transactions to influence chartered banks' cash reserves, there were special measures proposed a year ago by the Bank of Canada with which, in the circumstances, the chartered banks readily complied. One of these was to refrain from additional longer-term lending, that is, making loans longer in term than ordinary commercial loans or purchasing a security issue direct from the borrower. This type of credit, for which there is typically a strong demand in periods of high capital expenditure, had been expanding at a more rapid rate than was desirable in the national interest. A second undertaking was that the chartered banks would carefully review their general lending commitments in the light of the need to moderate the expansion of credit. A third arrangement, designed to improve the responsiveness of the chartered banks' lending policy to central bank action, was an agreement on the part of the banks to endeavor to maintain, after May of 1956, a secondary reserve consisting of Treasury bills and day-to-day loans which, combined with the statutory cash reserve, would average 15% of their Canadian deposit liabilities.

Reverting to the main focus of central bank policy in the past year, the Bank of Canada was successful in keeping a tight rein on the nation's supply of money which, at latest report, was only slightly higher than a year earlier. It follows from this that the total Canadian assets of the chartered banks have not reflected the expansion shown by the various indicators of national production, income and employment. Under monetary management as now exercised, and in the face of inflationary pressures now confronting us, it is not considered in the national interest that they should be allowed to do so. To feed more money into the economy than is justified by the real gains in output would simply add fuel to the inflationary flames and there are times, such as the present, when it appears desirable to limit the increase in the money supply as a positive restraining force.

The Role of Banking in a Tight Money Phase

Under the restrictive policies pursued by the central bank, the chartered banks could not significantly enlarge the aggregate amount of outstanding credit they extend in Canada by way of loans and investments, taken together. But they were to some extent free to vary the proportions of these two preponderant assets. In the event, the banks endeavored to meet, as fully as was possible, the growing loan requirements of the country. In order to do so, it was necessary for them to reduce their holdings of securities, mainly of Government of Canada bonds. As our own statement shows, this bank's current loans and insured mortgages rose by over $300 million, and our securities portfolio was correspondingly reduced during our financial year. Nothing approaching a switch of assets of these dimensions within the limits

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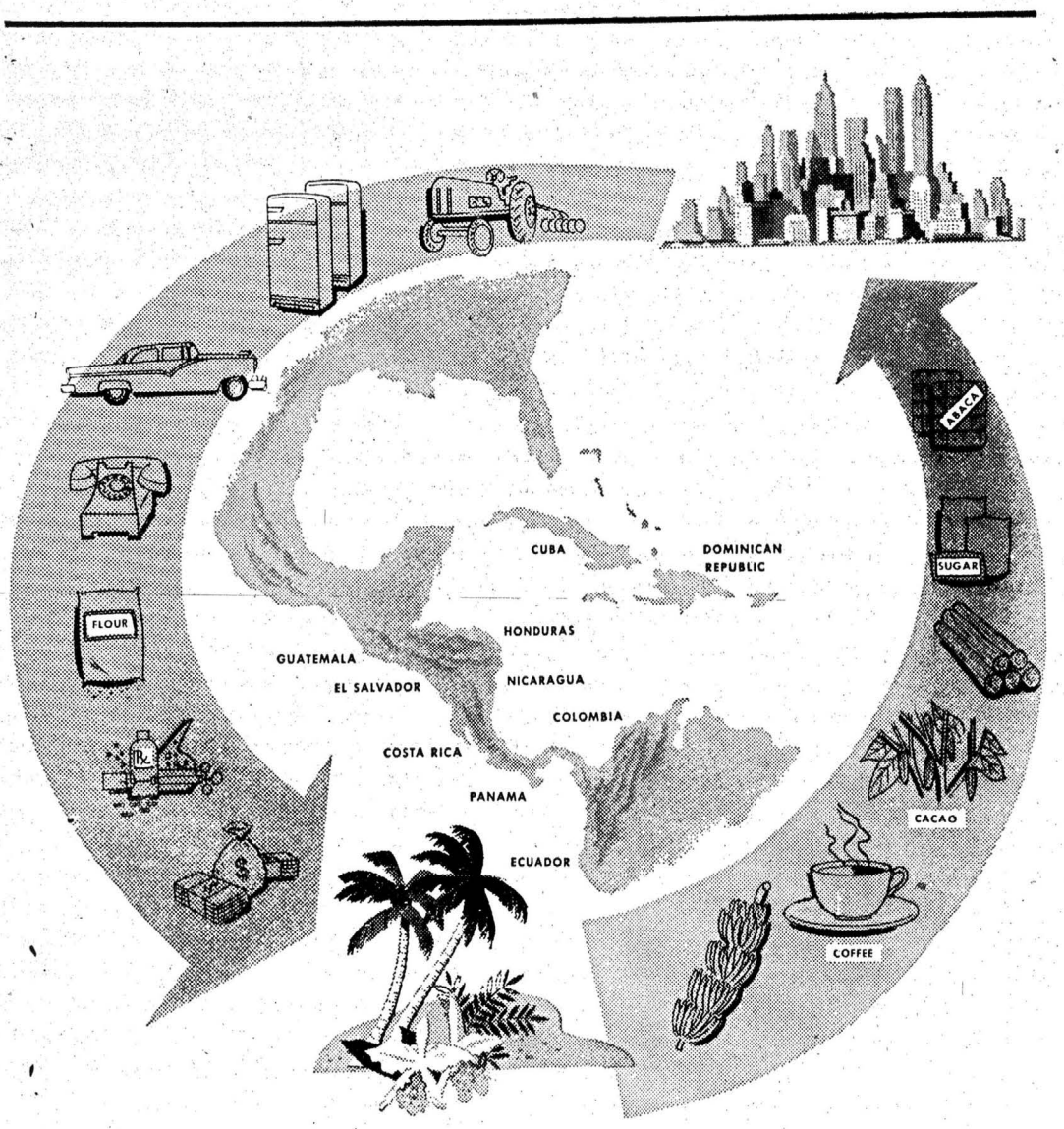


THIS LIVING CIRCLE STRENGTHENS THE AMERICAS

The Maya civilization, centuries ago, rose to great heights and then perished in the jungle. Why? Perhaps because this remarkable people relied on one crop—corn; or because they lacked economic and cultural contact with others.

We of the Americas now realize that Interdependence is the key to our survival. Today not one, but many crops and products flow northward from Central America . . . coffee, hides, lumber, bananas, cacao, abaca . . .

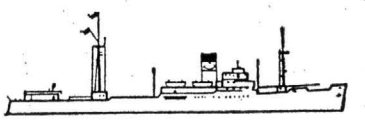
Dollars for these crops and Central America's goods and services flow southward. They buy refrigerators, telephones, cars, tractors, and other manufactured articles.

Thus we have a living circle of economics that strengthens the Americas, bringing the people of the American Republics closer and closer in bonds of friendship and better living.

United Fruit Company

General Offices: 80 Federal St., Boston, Mass.

United Fruit Company has been serving the Americas usefully for 56 years—reclaiming wasteland, stamping out disease, developing human skills, helping by research, new techniques and transportation, to increase the production and sale of bananas, sugar and other crops, and expediting communications.



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on the international horizon may again, as in the not too distant past, prove decisive in setting the course of American economic and financial developments.

RALPH J. COMSTOCK

President, First Security Bank of Idaho, Boise, Idaho

The year 1957 promises a generally high level of business. Further increases over 1956 are expected in Gross National Product, National and Personal Income. The rate of increase should be less than in the two preceding years. Growth in 1957 should correspond to increases in productivity, the labor force, and employment. There are, however, anticipated re-adjustments from the 1955-56 economic patterns. These are somewhat as follows:

Ralph J. Comstock

(1) Total agricultural income and cash farm income should increase. This, in turn, is a reversal of the five-year downward trend. There remain a number of malajustments as among prices and production of specific agricultural products. Reduction of farm surplus are of major significance. In a large portion of the country drought will affect crops and livestocks.

(2) Industrial production should continue at a high level. Some shortages of steel will curtail some fabricators. Most mineral production should continue at relatively high levels, but lumber production may decrease somewhat with fewer housing starts.

(3) Construction will be at a high level. This applies especially to electric, natural gas and some other utilities which cannot postpone necessary expansion. Housing construction will be slightly lower, some local government projects, where possible, might be postponed because of shortages of steel and other types of products, engineering personnel and the price of money.

(4) An increase in savings is anticipated with further acceleration in the rate of savings which began in mid-1956. Emphasis on savings, publicity on higher interesst rates should bring to financial institutions considerably more money which should be available for mortgage financing. This in turn should re-adjust the patterns of 1955 and 1956 where savings proved very inadequate to supply funds for mortgages. By mid-year, additional funds from savings should be available also for industry through capital funds markets. For the early months of 1957, however, long term funds will be inadequate to satisfy the demand on an annual basis of $43 billion capital for business and industry.

(5) Interest rates will continue at a relatively high level. However, if signs of some distress is shown in major economic segments, a change from tight money would follow.

(6) Retail trade should be good, but part of the dollar volume will reflect increased prices. Retail trade will get a slightly smaller share of the consumer's income because part of that income will go into savings. Consumer spending is a little doubtful. There is some resistance to increased prices.

The year 1957 is one in which the adjustments anticipated will correct part of the unbalance of the two previous years as between savings and spending.

SIDNEY B. CONGDON

Chairman of the Board,
The National City Bank of Cleveland, Ohio

Most business observers expect the over-all economy to operate at record levels during 1957. If their expectations are realized, it will be an excellent year for banking. The progress of banks inevitably reflects the prosperity of the families, businesses, and communities which they serve. Just as 1956 proved to be a record-breaking year for the over-all economy, so too was it a banner year for the banking business.

Sidney B. Congdon

The favorable forecasts for 1957 suggest another year of strong demands for credit. Surveys of business intentions to install new plants and equipment indicate such outlays will exceed the record total of 1956. States and municipalities are planning to increase expenditures for public works. The automobile companies expect to sell more cars than in the past year while the residential construction industry hopes to match last year's dollar outlay. Such plans, of course, involve large requirements for credit and that in turn spells a year of favorable earnings for the banking industry.

Many business observers are wondering whether sufficient credit will be available in 1957 to keep the economy at peak levels. Perhaps the developments of 1956 provide a logical answer to the question.

During the past year aggregate requests for credit, from home buyers, consumers, businesses and municipalities, were of record proportions. The total exceeded the supply of loanable funds that was coming from new savings and from repayments of old loans. It, therefore, became apparent to the monetary authorities that if all those credit requirements were filled, the volume of spending would outstrip the productive capacity of the economy. That in turn could only lead to more inflation rather than real increases in production.

Accordingly, a policy of monetary restraint was adopted. This policy was designed to limit credit extension to the amount really needed to keep the over-all economy active and strong. As it turned out, sufficient credit was made available to enable the economy to attain new record levels moderately above those of 1955. Yet the money supply, as measured by currency and checking accounts of individuals and business, showed just a nominal rise during the year. It follows that the monetary authorities achieved noteworthy success in their efforts to sustain a high level of business activity without contributing to price inflation through an expansion in the money supply.

Prospects for 1957 suggest a continuation of the 1956 policy is proper and is to be expected. Its continued success would do much to keep the economy sound, thereby facilitating further growth in the years to come. True, this may mean that some housing developments or public works or plant expansion projects may be postponed during the coming year. However, their timely reinstatement in 1958 or some subsequent year might then help avert a serious setback in the business picture.

Clearly, there is such a thing as trying to do too much all at once. Monetary policy is a tool that can be of help in keeping our wishes geared to our capabilities.

STUART COOPER

Chairman of the Board, Delaware Power & Light Co.

The most recent census figures show that Delaware retains its position as the second fastest growing state east of the Mississippi River and the fastest growing state in the Delaware River Valley. Reflecting this rapidly increasing population, the Delaware Power & Light Company has long enjoyed and is continuing to enjoy ever-increasing sales of gas and electricity in all of its customer classifications; that is, residential, commercial and industrial. To assure gas and electric capacities adequate to meet these growing sales and demands as they arise, the Delaware Power & Light Company's organization has been kept busy revising and advancing its construction schedules.

Stuart Cooper

New sales records have been established during each of the 11 postwar years. During these years, from 1946 to 1956, Delaware Power & Light Company's revenues have increased from $13 million to $38 million annually, while revenues of $48 million are forecast for 1957. The construction of plant facilities to meet the increased business during that period has required the expenditure of almost $140 million. Three new generating plants, new substations, line extensions, conversion to straight natural gas, new transmission lines, extension of distribution lines and the addition of approximately 55,000 electric customers and 11,000 gas customers have accounted for these expenditures.

Projecting its continued expansion program into the future, Delaware Power & Light Company's construction plans call for an investment in plant of over $28 million in 1957 and about $50 million during the two years, 1957-1958.

A major item in the 1957 program is the completion of the first of two 80,000 kilowatt electric generating units at the new Indian River Power Station presently under construction near Millsboro in southern Delaware. This first machine is scheduled for operation about Nov. 1, 1957. Work is also under way on the second similar unit, scheduled for completion in December, 1958.

Other construction items in the 1957 program include a general "firming up" of the company's electric and gas systems. Numerous new substations, higher voltage transmission lines, heavier distribution lines and gas mains will be required, all in addition to the new facilities necessary to connect new customers coming on the lines during the year.

With the completion and starting up during December, 1956, of the company's Delaware City Power Station, the company is now supplying the electric power and steam requirements of a new major industry in Delaware—Tidewater Oil Company's new modern oil refinery recently put into operation near Delaware City, Delaware. Although designed basically to serve the refinery with electricity and steam, the power station is interconnected with the electric transmission system of the Delaware Power & Light Company which will either receive power from or deliver power to that station as the occasion requires.

The company has no single dominant industry whose business adverses might seriously affect the company's well-being. A wide diversity of chemical, steel, fibre, leather, textile, rubber, food processing, auto assembly and other industries offer an unusual diversity and stability.

Thus the company's sales continue to increase in a favorable economic climate. Although electric air conditioning, both residential and commercial, is producing an ever-increasing amount of summer business, the company's summer power loads have not yet exceeded its winter loads, although the difference between summer and winter demands is becoming less and less.

Access to major centers of population through adequate and diversified transportation facilities, good living conditions with recreational facilities close at hand, a low manufacturing tax rate and a mild climate are all reflected in the rapid growth and development of Delaware Power & Light Company's service area.

JOHN J. COTT

President, Cott Beverage Corporation

Beverage sales are going to go up in 1957—irrespective of the weather! I make that prediction with the utmost confidence. The weather hurt the soft drink industry in 1956. The coolest summer in more than a decade along the Atlantic seaboard left its mark on the annual sales figures of every bottler in the Northeast. While Cott's sales suffered a smaller than average drop, our volume in the Northeast for the past year was still off by about 10%.

John J. Cott

But a more careful look at the 1956 sales figures reveals why the prospects for the future look so bright. Almost from the moment the normal hot-weather season ended, Cott's sales began running 8% ahead of the previous year. They picked up momentum, and kept moving well ahead of 1955 for the remainder of the year. In those "off-season" sales lies the key to our future. For the fact is that our advertising and promotional efforts are steadily building up an ever larger body of consumers who drink bottled beverages all the year round just because they like them — not because the thermometer is breaking all-time records.

Sales of soft drinks in regions that were not affected by the coolness of the summer ran ahead of our most hopeful predictions for 1956. In Texas, soft drink sales rose 11% ahead of 1955, in Georgia 15%, and in California 10%. Cott's own sales in Florida jumped 100%! In certain areas in the South—the section of the country Cott and Mission will concentrate on in the coming year—annual per capita consumption of soft drinks hit as high as 560 bottles.

The coming year will bring a further development of the current trend towards citrus flavored drinks. It is interesting that while 1956 saw the sugar-free beverages settle at a plateau where they account for about 1% of the industry sales and 5% of Cott's sales, the year brought a sharp increase in the demand for tart specialty beverages. To meet this demand, Cott has formed the Quiky division, which manufactures a grapefruit-lemon flavored drink.

The citrus flavored beverages to which Americans are turning have long been popular in other parts of the world. In 1957, Cott will open new Quiky and Mission bottling plants in Germany, Portugal, Spain, Iran and Angola, Africa. The addition of the new bottlers will be but a beginning. We look forward to increased sales outside of the United States in each coming year, as the taste preferences of people everywhere become increasingly more homogeneous.

For Cott, particularly, the past year has been a year of consolidation, as 1955, when we bought the Mission Dry Corporation, was a year of acquisition. The coming year will be a year of growing sales and profits for the entire industry. The introduction of king size bottles, the increased use of "carry-home" cartons, introduction of new flavors, have all laid a solid foundation for future sales. There is no doubt that 1957 will be one of the best years in the history of our industry, as the average per capita soft drink consumption goes far over the 500 mark which we missed because of the weather in 1956.

J. E. CUNNINGHAM

President, Southwestern Public Service Company

Our company serves an area of 45,000 square miles embracing part of Kansas, the Panhandles of Oklahoma and Texas, the South Plains of Texas, plus the Eastern and Pecos Valley areas of New Mexico. It is one of the nation's outstanding growth territories.

This area has one-eighth of the nation's known oil reserves, one-sixth of the irrigated farm land, produces 95% of the nation's potash and 50% of the carbon black. These factors give it a farm and industrial diversification that provide an economic stability with few parallels in the nation.

Interestingly enough, despite amazing growth in residential customers, the per customer residential usage increased, this year, by 13.5%, a greater rate of growth than the nation as a whole. We expect 1957 to show continued growth not only in residential, but in other classes of business. Industrial increases will add to the company's growth. Near Pampa, Texas, the Celanese Corporation has just announced the building of a new plant in 1957. Construction of new runways, expected to start around May, 1957, will bring new strategic bombers to Amarillo Air Force Base. The Texas Panhandle's first expressway, 35 miles long, is already under construction. A national chain store has two magnificient buildings under construction; one in Roswell, N. M., almost completed, and one in Amarillo, for which ground was broken this month.

Nineteen fifty-six saw an outstanding cumulative effect of the company's electric appliance dealer promotion program, inaugurated in 1954, and an aggressive continuance of the program will bring even greater results in 1957. Appliance sales in 1956 topped 1955, the

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Canadian Economic Growth Depends Upon Sound Currency

of a virtually unchanged balance sheet had ever occurred before in the 139 years of our history.

We must take thought of what we mean, therefore, when we talk of prevailing "tight money" or "tight" credit conditions. Money in total amount has indeed been kept tight, or inelastic, by the central bank, and total bank credit, in the form of loans and security holdings combined, has been correspondingly restricted. But the same cannot be said of bank credit in the form of commercial, industrial and personal loans. It is plain for all to see that the banks, and this bank particularly, have gone a very long way in financing that degree of economic growth that is not in excess of the attainable.

This is the rightful and proper function of a bank and it is with respect to its role as a lender that I can say, with some pride, that the Bank of Montreal has added to its stature and its service to the community during the past year, despite the fact that the totals at the foot of its balance sheet have, perforce, scarcely changed.

Needles to say, the disposal of securities in substantial amounts, both to take care of the increase in loans and to achieve the required level of secondary reserves, was not accomplished without penalty in a period of rising interest rates and therefore of declining bond prices. But the cost of selling securities under these circumstances may justifiably be regarded as the special cost of meeting the legitimate requirements of commercial borrowers within the confines of a national monetary policy which, in its very nature, has aimed at an over-all stability of the Canadian assets of the chartered banks.

As another consequence of these circumstances, the banks increased the rates of interest they pay and receive bringing them more into line with market and other interest rates. Upward revisions were made during the course of the year both in the rate paid on savings deposits and in the rate charged on commercial loans, the increases in the latter being the first in many years.

I have already mentioned my satisfaction, which I know is shared by the directors and officers of the bank, in the extent to which we have been able to meet the credit requirements of our clients in the difficult monetary conditions under which we have had to work. In this, we have been guided, as always, by the principles of sound banking that have stood us in good stead over the years. It is worth adding, in this connection, that during the past year our loans in Canada have increased significantly more, in relative terms, than those of other banks as a whole. Such a major realignment of assets would not have been possible but for the very strong position in respect of liquid Government securities with which we entered the tight-money phase. In these regards the past year has amply confirmed our conviction that a position of strength is essential in the pursuance of a consistent lending policy.

A Fight on Many Fronts

As I reflect upon the manifold changes of the past year I find myself continually preoccupied with the problem of resurgent inflation and the fight against it. These, it seems to me, are some of the predominant points that must be borne in mind.

It is, firstly, a battle that cannot be won either quickly or easily. Nor is it to be expected that we in Canada can hold inflation at bay within our own borders if it continues to gain ground in countries with which we have close economic ties. Fortunately, however, most countries are alive to the new danger and resolutely determined to scotch the trouble before it gets out of hand. With varying degrees of reliance on various means and devices, and, admittedly, with varying measures of success, such countries are nonetheless moving to combat inflation and there is thus every reason for Canada to press on with the fight and every reason to hope that the outcome will justify the effort.

Secondly, it is an enemy against which the opposing forces, if they are to be successful, must above all be maneuverable. The greater flexibility of Canadian monetary policy in recent years and the adaptability of the chartered banks, so fully demonstrated in the past year, are noteworthy examples of what I mean.

Yet, thirdly, these same qualities are equally required of others in the community. The business man or individual who finds credit less readily accessible than he would wish should appreciate the need for credit restraint and be prepared to adjust his spending plans accordingly, even if it means some immediate sacrifice. Employees, in their relations with employers, also have a responsibility to keep demands for higher pay within the limits of the real gains that can be achieved from higher productivity.

And it goes without saying that governments at all levels should not press their claims on national resources at a time of excessive demand.

With the growing diversity and importance of means of attaining security of future income, whether in bank deposits, in investments, in life insurance or in pensions

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Creson, Sledge & Co. Formed in Dallas

DALLAS, Texas — Robert P. Creson and C. Robert Sledge have formed Creson, Sledge and Company with offices in the Empire Bank Building to act as underwriters, distributors and dealers in industrial, bank, oil and mining securities and mutual fund shares.

Both Mr. Creson and Mr. Sledge were formerly with Southwestern Securities Company, Mr. Creson in the Sales Department and Mr. Sledge as Manager of the Trading Department.

The new firm is a member of the McManus & Walker wire system.

SWAN RUBBER COMPANY
"WORLD'S LARGEST MANUFACTURER OF GARDEN HOSE—RUBBER AND PLASTIC"

"National Accounting Machines save us $22,500 per year... return 110% of their cost annually!" —SWAN RUBBER COMPANY, Bucyrus, Ohio.

"National Accounting Machines save us $22,500 a year... an annual return of 110% on our investment.

"Our volume is expanding and we expect production to increase about one third this year. This means a sound accounting system is essential. The flexibility of the National enables us to use the same machines for Payroll, Sales Analyses, Production and Inventory Control, Accounts Payable, and Accounts Receivable.

"The many automatic features of Nationals promote accuracy, while enabling our operators to do their work with less effort."

Mark R. Kusterbeck, President

In your business, too, National machines will pay for themselves with the money they save, then continue savings as annual profit. Your nearby National man will gladly show how much you can save — and why your operators will be happier.

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
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ACCOUNTING MACHINES
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best previous year, by nearly 16%. The company does not merchandise, but works closely with independent electric appliance dealers throughout the area.

In mid-June, the company started a sales promotion program on commercial electric cooking equipment. By Nov. 1, 1956, this program, although only four and one-half months old, had already added an estimated $45,000 a year in revenue. Nineteen fifty-seven will be the first full year of this commercial activity and the prospects for a large revenue increase look brighter each day.

Nineteen fifty-seven should be a most promising year from our viewpoint, with increases apparent in all classes of the company's business, and continued growth in all business in one of the nation's most amazing growth areas.

CHARLES P. CRANE

Chairman of the Board and President, Baltimore Gas and Electric Company

In my comments for your Annual Review and Outlook a year ago, I expressed the opinion that in the Baltimore area, 1956 would be a year "of uninterrupted progress to higher levels of business achievement." This forecast has been borne out fully by results which show new high records of business activity and industrial and commercial growth.

Charles P. Crane

With December figures yet to be compiled, we estimate that electric kilowatt hour sales in 1956 will show increases, as compared with 1955, of 12.5% to residential customers, 9% to commercial, and 9.7% to industrial users. Sales of gas are expected to show increases approximately as follows: residential 21%, commercial 10%, and industrial 22%.

Our Company is rapidly expanding its facilities to meet these continuing demands for increased electric and gas service. Expenditures for new construction in 956 were almost $39,000,000, and it is estimated that the total for this purpose during the next five years will amount to approximately $233,000,000. The bulk of these expenditures, averaging about $35,000,000 a year, will be for the expansion of our electric system, and about $9,600,000 per year will be spent for expansion of the gas system.

The first 125,000 kilowatt unit of our new Herbert A. Wagner Electric Generating Station was placed in commercial operation early in 1956, and construction was immediately begun on a second unit, of similar size, scheduled for completion in January, 1959. A new large master substation, with tie cables and transformers, is to be constructed, together with 18 new electric substations of smaller size; 13 to be placed in service in 1957 and 5 in 1958. Our 1957 expansion program also includes two major gas main installations; one being a sixth "gate" station and a 12½-mile extension of 26-inch main to provide another supply line for natural gas to serve the rapidly growing southern part of the Baltimore Metropolitan Area.

An important development, looking to increased reliability and economic efficiency of electric service in the Baltimore area, is an interconnection agreement recently entered into by our Company and seven other investor-owned power systems in Pennyslvania and New Jersey. The agreement provides for coordinated development and operation of the eight systems, having an aggregate capacity of almost 10 million kilowatts, and creates what is believed to be one of the world's largest fully integrated power grids, serving a population of almost 15,000,000.

All records for new business obtained from industrial and commercial customers were broken last year. Contracts to supply new electric installations exceeded by 40% similar new business obtained in 1955, and the gain in new gas contracts also surpassed the total of any previous year. These new electric and gas contracts are for service to widely diversified industries, including large manufacturers of aluminum products, building brick, stainless steel, electric insulators, communication equipment, portable tools, air armament, and frit smelting, as well as a number of commercial establishments such as regional shopping centers, hospitals and government agencies.

Residential construction, although somewhat below the all-time peak of 1955, continued at a hgh level throughout the year, with about 14,500 dwelling units completed. During the year some 15,000 residential electric customers and more than 11,000 residential gas customers were added to our lines. In the past 10 years, population growth in the 2,300 square mile area served by our Company has been equal to a city the size of Norfolk, Virginia, or Providence, Rhode Island.

The investment in new industrial plants and expansions of existing industries, announced during 1956, totaled over $304,000,000, an all-time high, which was 15% greater than for the previous year. The additional labor requirement as a result of this industrial growth is estimated at over 12,000 employees. While some 30 new industries were included in the above, the bulk of this large industrial investment is for expansion by established concerns, convincing evidence that industry in this area is thriving. The major expansion projects initiated last year, a number of which are still in stages of construction, are for increased production of primary metals and metal products—steel, stainless steel and aluminum—paints and pigments, aircraft, chemicals, electrical and electronic equipment, metal closures, porcelain frit, shipbuilding and ship repair. Plans are already under way for further expansions in various fields including automobile assembly, oil refining, refractories and plastic products.

Large scale commercial developments are scheduled for 1957 to accommodate new and enlarge residential sections. In line with the national trend, we expect some slackening in residential building here during the coming year, but this should be offset by construction for City and State agencies which have large programs projected for the immediate future. Large projects for agencies of the Federal Government are also in early prospect.

A factor of primary importance in Baltimore's economic stability and progress is the Port. Business of the Port of Baltimore during 1956 was the best in the City's history, with approximately 50 million tons of cargo handled. More than half of this came under the classification of foreign trade. Steamship arrivals established a high record of 5,735. The value of goods moving in foreign trade exceeded the $1 billion mark; greater than any previous year with the exception of wartime 1944.

There is every indication that the high levels of industrial, commercial and port activity will be maintained through 1957. Sales of electricity and gas to all classifications—domestic, commercial and industrial—are expected to exceed 1956 sales by percentages comparable to the increase shown last year. New industrial and commercial requirements for our services, now foreseen, will equal or come close to the record-breaking totals obtained in 1956. The rising trend in residential usage of both gas and electricity is certain to continue; the result of good employment conditions and commensurate income that prevail in this area, combined with the constructive efforts which our Company is conducting to promote modernization and broader utilization of services that are basic to American standards of living.

HARLOW H. CURTICE

President, General Motors Corporation

The year ahead should set another record for business generally with the automobile industry contributing more substantially to this advance.

Of mayor concern, of course, is the international situation, and any forecast of business activity must be predicated on the maintenance of peace in these troubled times.

Harlow H. Curtice

With this reservation, we should see a further rise in our gross national product and substantially full employment. It follows also that the consumer should have more disposable income and should be more willing to spend it providing there is a prevailing confidence in the economy.

In my own industry, 1957 should be another good year. Domestic passenger car sales may well reach 6,500,000, or about 10% above 1956. Truck sales should approximate 900,000. Total production, including Canada and the export market, should reach 8,300,000 vehicles, as compared with 7,400,000 in 1956.

For General Motors, I see 1957 as our second best year, exceeded only by 1955. We spent an all-time high of $630 million to bring our new line of cars and trucks to the market place. With these styling, engineering and mechanical advances our dealers and suppliers also should have a profitable year.

During 1957, General Motors plans to spend about $700 million on capital investment. This amount will be needed both to keep our facilities and products modern and to assure us sufficient capacity for what we think will be the normal growth of the market for our products.

Spending for capital equipment on a national level is expected to increase in 1957 in the face of continuing high demand for such goods.

Similarly, the construction industry, which set new highs in each of the last four years, should continue its upward trend during the New Year. Housing starts will remain steady but more non-residential structures will be built.

A further impetus to business activity will be the new Federal aid highway program just getting underway. Spending for new highways should increase at least $700 million over last year.

Although not necessarily a barometer of prosperity and progress, defense spending should be in the area of $42 billion, or somewhat higher than 1956. Other government expenditures at all levels also can be expected to rise.

Assuming, as we must, that peace for the world will prevail, the gross national product should rise to another new high next year—possibly as high as $435 billion. This all adds up, in my opinion, to a thriving and vigorous economy that will see more people have more and better things.

LAWRENCE M. CURTISS

First Vice-President, American Investment Company of Illinois

American Investment Company of Illinois operates more than 400 subsidiary loan offices which are located in 31 states across the nation. Our plans for 1957 must necessarily be based on an analysis of the national economy as well as significant local conditions and trends.

Lawrence M. Curtiss

The growth of consumer credit, particularly cash lending, is determined by the degree of confidence which the consumer has in his continued employment and future income. All reports indicate a continuation of high personal income and a tight labor market with practically full employment. While some industries may develop weaknesses in 1957, we believe that the general economy of the country should be good.

Full employment and continued confidence on the part of consumers will increase the demand for consumer credit somewhat in 1957 as compared with 1956. Most of this increase will be in the automobile instalment credit field. While we predict continued increases in consumer credit and our own field, cash instalment lending, we think the rate of increase may be slightly less than in 1956. We expect our own receivables to increase materially in 1957 in spite of increased competition.

In 1956 we had a tight money market which gave rise to two increases in the prime rate. We do not see any signs of change in this situation, at least for the first half of 1957 and perhaps longer. Tight money probably will continue to affect consumer credit by increasing customer selectivity and reducing the rate of growth in some institutions.

American Investment completed $42,500,000 of new financing during 1956 which we believe will take care of our anticipated growth during 1957. We expect to open and acquire some new offices during the year. Our plans also call for continuing efforts to develop all our offices with increased concentration on the reduction of expenses. Many of the 50 new offices which we opened in 1956 will begin to add their proportionate share to the company's net earnings this year. We believe concentration on net profits will be general with most corporations in 1957. We look for 1957 to be the year of "increased corporate efficiency."

To support all of this economic activity in 1957, it is our opinion that both business and the consumer have the necessary confidence in each other and in government to make this year a successful one.

In summary, our best judgment at American Investment Company indicates that 1957 will be another good year for the country, for business and for our company but we will have to work harder to achieve those results.

C. McD. DAVIS

President, Atlantic Coast Line Railroad Company

The outlook for 1957 is encouraging. Indications now are that 1957 will be a slightly better year than 1956, also that further progress in industrial and commercial expansion will be made in the southeast. Investment in new plants, as well as expansion of existing industries, in the area served by Coast Line is impressive and is indicative of the improvement in the general economy of the southeast. Population growth in almost every section of the southeast continues to attract attention to the area resulting in the establishment of a wide variety of industries to meet demands of the greater consumer market.

C. McD. Davis

Additional growth of the pulp and paper industry is anticipated. Practically every such mill in the southeast has expanded production, and plans have been announced for the establishment of several new plants in the area. Available sites or locations for pulp and paper mills and other large water-using industries are in demand, and the area served by Coast Line still offers many opportunities for industries of this type.

There is a great deal of activity, particularly in the State of Florida, in the chemical, aircraft, and electronics industries. A number of nationally known companies have announced plans for locating plants in Florida and several such plants are already under construction. The aircraft industry is showing particular interest in Florida locations and it appears certain that a number of major operations of that type will be established in the state during 1957. Such industries utilize a large labor force which will augment the already heavy influx of new residents. New housing areas are being developed throughout the state to meet the requirements of the ever-increasing population and continued steady growth of the area is assured.

Florida has long been recognized as a leader in the citrus fruit industry. It is currently estimated that the Florida orange crop for the 1956-57 season will approximate 95,000,000 boxes which compares with 91,000,000 boxes for the 1955-56 season. This should ordinarily mean increased movement of fresh fruit from Florida, and increased movement of fresh fruit to the processing

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Canadian Economic Growth Depends Upon Sound Currency

under private or government plans, Canadians in all walks of life have a vital and continuing interest in preserving the purchasing power of the dollar.

Sound Money and Sound Prosperity

Sound money, by which I mean a currency that has the ring of dependable and abiding value, and sound prosperity go hand in hand. By exercising adaptability and moderation at times like the present, we work to win both.

Much in the news and in the thoughts of Canadians during the past year has been the Royal Commission on Canada's Economic Prospects whose forthcoming Report will paint a picture of what our economy may be like a quarter century hence. I do not know what the Report will contain but I venture to suggest that its estimates of possible national production in 1980, expressed in physical terms or in dollars of constant purchasing power, may well stagger the imagination. We can have that kind of real prosperity, and we can have those dollars of constant purchasing power, if we so desire. Or, if we prefer to let prices rip whenever we happen to be trying to do too much too quickly, we can have a different kind of prosperity, much larger in dollars, but in dollars of much smaller value. It is for us to decide which kind of prosperity and which kind of dollars we want in the next 12 months and in the next 24 years.

M. S. Wick Appointed By N. Y. Stock Exch.

Keith Funston, President of the New York Stock Exchange has announced the appointment of Merle S. Wick as Assistant Director of the Department of Stock List, effective immediately.

Mr. Wick, 43, joined the Exchange from the Columbia Broadcasting System where he was Administrative Vice-President of a manufacturing division. He was formerly Chief Accountant of the South American Development Company and later was with the accounting firm of Lybrand, Ross Brothers & Montgomery. He is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Mr. Wick, his wife Elizabeth and three children, Beverly, Barbara and Patricia, reside in Manhasset, L. I.

ASE 5 & 20 Club

The American Stock Exchange members' Five and Twenty Club held its annual dinner and installation of officers Jan. 15, 1957. Leonard C. Greene, Chairman of the Club's entertainment committee, announced that 14 new members had been admitted to membership in this organization which is composed of American Stock Exchange brokers who have maintained membership in that Exchange for 25 years or more.

Harold J. Brown, of Brown, Kiernan & Co., was elected to the organization's presidency.

Forms Ireland Co.

WINTER PARK, Fla. — Charles W. Ireland is engaging in a securities business from offices in the Knowel Building under the firm name of Ireland & Company. Mr. Ireland was formerly with First Florida Investors, Inc.

Exch. Firms Govs. to Meet in Chicago

The Board of Governors of the Association of Stock Exchange Firms will hold its winter meeting at the Edgewater Beach Hotel in Chicago on Jan. 24 and 25, it was announced by E. Jansen Hunt, White, Weld & Co. President. Edward F. Thompson, Jr. of Lamson Bros. & Co. and Jay N. Whipple of Bacon, Whipple & Co., resident Governors of the Association, are in charge of the arrangements.

The Association of Stock Exchange Firms is a national trade association of member firms of the New York Stock Exchange. Meetings are held in financial centers throughout the country several times each year to permit the Board of Governors the opportunity of conferring directly with members located outside New York City regarding problems facing the investment business.

A feature of the two-day meeting will be a luncheon tendered the Governors by the Midwest Stock Exchange on Jan. 25.

J. P. Stuart Opens

(Special to THE FINANCIAL CHRONICLE)

SAN RAFAEL, Calif.—James P. Stuart is conducting a securities business from offices in the Masonic Building.

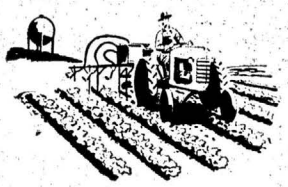
ABA Division Elects Officers

Belden L. Daniels, Secretary of the Pennsylvania Bankers Association, Harrisburg, has just been named President of the Eastern Secretaries Conference of the State Association Section of the American Bankers Association.

Other officers elected were Vice-President, Charles E. Burns, Executive Secretary-Treasurer of the Vermont Bankers Association; and Secretary-Treasurer, E. Henry Powell, General Secretary, Savings Banks Association of the State of New York.

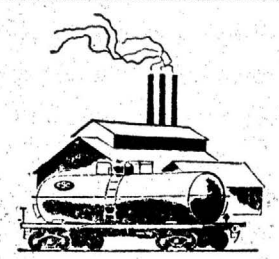
The State Association Section of ABA is divided into four conferences: Eastern, Southern, Central and Western. The Eastern group includes the States of Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and Virginia.

Each of the conferences holds its own, independent meetings to foster cooperation among the state associations, for both commercial banks and savings banks, and to promote the highest standards of banking practices throughout the various states.



Agricultural Chemicals

To satisfy Agriculture's big-tonnage appetite for nitrogen plant food, CSC supplies Hi-D Ammonium Nitrate, new granule fertilizer, made by a patented CSC process. In addition, CSC produces nitrogen solutions, aqua and anhydrous ammonia. Through fertilizer manufacturers, these products go to help make every acre more productive. Products made for pesticide formulators include Dilan®, ethyl formate and metaldehyde.



Industrial Chemicals

Leading the product list is a new family of chemicals, the Nitroparaffins — nitromethane, nitroethane, 1-nitropropane, 2-nitropropane, and derivatives. A CSC development, the "NP's" open up dynamic, new areas of chemical opportunity — and are already being used in a wide range of industries. Other basic products include ammonia, methanol, ethyl alcohol, butanol, methylamines, formaldehyde and pentaerythritol.

Automotive Specialties

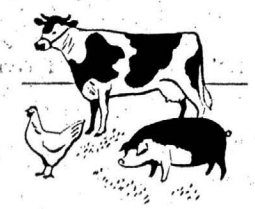
CSC's automotive line includes both private label and branded products such as PEAK® ethylene glycol antifreeze and Nor'way® methanol antifreeze, Nor'way cooling system chemicals and automotive specialties. In addition, last year CSC introduced Peak Nitro Fuel, a new special fuel for racing cars. For home use, CSC markets Quixol® and Quakersol®, proprietary brands of denatured alcohol.

CSC

PRODUCT REVIEW

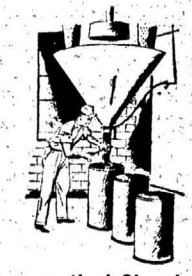
Potable Spirits

CSC's oldest line of products is the Rossville® brand of alcohols, which trace their ancestry back to a Rossville, Indiana, distillery started in 1847. Today, CSC potable spirits are produced exclusively on order and are sold in bulk only. Products include fine cane and grain neutral spirits as well as custom production of whiskies of unexcelled quality.



Animal Nutrition Products

CSC supplies the feed industry with antibiotic and vitamin feed supplements that help produce better broilers, laying hens, turkeys and hogs. Chief among these animal nutrition products are Baciferm® bacitracin antibiotic supplements, B.Y-16® and B.Y-21® riboflavin supplements, multivitamin supplements, choline chloride and butyl fermentation solubles.



Pharmaceutical Chemicals

Newest antibiotic produced by CSC is cycloserine — used in the treatment of tuberculosis. CSC is also a leading manufacturer of bacitracin and was the first company to produce this antibiotic. Crystalline riboflavin (vitamin B_2) is another item important to the drug field. Other products include antienzymes. All CSC drugs are supplied to pharmaceutical companies who market them under their own label.

Sales Offices in Principal Cities

Plants at Sterlington and Harvey, La. Terre Haute, Ind. Peoria, Ill. • Agnew, Calif. Newark, N. J.

COMMERCIAL SOLVENTS CORPORATION

General Offices: 260 Madison Ave., New York 16, N. Y.

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Federal Reserve Bank of St. Louis

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plants within the state, for later shipment as single strength juice and/or frozen concentrate to all sections of the country. The frozen citrus concentrate industry in Florida has had remarkable growth, and increased production of frozen concentrate for 1957 is forecast.

While economic conditions in the southeast for 1957 may be generally regarded as favorable (barring a drastic deterioration in the international situation), there are a few weak spots. The textile industry has been faced with over-production, but conditions in that industry are showing some improvement. The same is true in the lumber industry, which, however, still ranks as a major revenue producer for the railroads and is a primary source of employment. Competitive products pose a problem to both of those industries but producers anticipate that the year 1957 will bring improvement in demand for textile and for lumber products.

Coast Line is continuing its program of modernizing and improving its physical plant anticipating that business activity in the southeast during 1957 will be at a high level and expanded transportation facilities will be needed.

LOUIS W. DAWSON

President, Mutual of New York

For 1956 the life insurance companies in America will pay an esimated $263,000,000 corporate income taxes to the Federal Government and $220,000,000 in State premium taxes. The total tax bill of $483,000,000 means that Federal and State taxes are now consuming $4 out of each $100 of premium deposits made by policyholders.

Louis W. Dawson

Mutual of New York alone is paying $7,400,000 in Federal income taxes at the corporate tax rate for 1956 and $2,800,000 in premium taxes to the various States. The total of $10,200,000 is equivalent to more than 25% of the entire amount returned to policyholders in premium refunds (dividends) by this mutual company. MONY alone is paying a Federal income tax bill five times greater than the tax paid as recently as 1949.

For the life insurance business as a whole, here's the way taxes have increased over the past five years:

Year	State Taxes on Premiums (000,000)	Federal Corporate Income Taxes (000,000)	Total
1952	$146	$125	$271
1953	161	141	302
1954	177	158	335
1955	189	189	378
1956	*220	*263	*483

*Estimated

It can be seen that current Federal and State taxes combined are an extremely heavy burden to be levied against a business that is dedicated to thrift and family protection.

The Federal income tax as it is now applied to mutual life insurance companies does not follow established tax principles either as applied to ordinary business corporations or to mutual savings institutions. Rather it is the outcome of an artificial method intended originally to safeguard the solvency of life insurance companies, by decreeing that investment income needed to maintain reserves should not be taxed. The balance, it was concluded at that time, should be subject to Federal income tax, at corporate tax rates.

Because of changed conditions and constantly raised rates of tax, the existing method has produced an unfair tax burden on life insurance policyholders. The result today is that the income a policyholder earns through his mutual life insurance policy is being taxed at a substantially higher rate than any other income he earns. Continuation of this artifical method imposes a disproportionate penalty on thrift through mutual life insurance.

Life insurance companies operating under the mutual plan are not corporations operated for a profit. They have no stockholders. They are true mutuals—that is, groups of individuals banded together to provide themselves with security for their families.

Since mutual insurance companies have no stockholders and earn no profits, all taxes levied on them are paid directly and completely by their policyholders. Most of the 103,000,000 Americans who own life insurance earn modest incomes. Many of them are women and children with no income and many others earn so little that they are not even subject to the regular personal income tax. Application of the corporate tax rate to any part of their savings violates the basic principle behind the income tax—taxation on the basis of ability to pay.

Sixty-three percent of the entire population of the United States have life insurance policies. The present ownership represents an average protection of $6,900 per family, with the individual policy averaging $2,720.

Life insurance is the only form of saving chosen by millions of Americans. Many people with modest incomes who cannot afford even a small bank account are saving a little money and protecting their families through life insurance. Yet life insurance is taxed more heavily than any other form of saving.

In the final analysis, the tax bill on mutual life insurance companies in the United States is disproportionately increasing the cost to individual policyholders of their insurance protection. The matter is therefore one in which 103,000,000 life insurance policyholders and their families should take a personal interest.

It is also one in which all of those interested in preserving the private savings process should take an interest. Recent tight money has demonstrated the need for encouraging private savings, since in the last analysis, the growth of an economy and the price it must pay for the use of money are related to the savings process. This is becoming increasingly recognized by economists and spokesmen for the administration. It should result in closer examination of the penalties currently imposed on thrift by excessive taxation.

HARRY A. DEBUTTS

President, Southern Railway System

Almost every prediction for 1957 that the writer has so far seen indicates that competitive forces in industry and in the wholesale and retail trades will be in full operation to the benefit of ultimate consumers.

Harry A. DeButts

That this will not be true of the transportation industry is not the fault of American railroads. Instead, they will be shackled by outmoded laws requiring them to protect other transportation agencies in unrealistic freight charges intended to assure these "competitive" carriers a profit.

All American industry should make 1957 a year in which to get behind the program to modernize transportation laws recommended to the Congress after intensive study by a cabinet committee appointed by President Eisenhower. Industry needs the advantages that will be afforded through allowing competitive forces to operate in the field of freight transportation.

The Southern, like its sister railroads throughout the nation, stands ready to price its product—transportation—competitively as soon as this is allowed. To the extent possible, it is already doing what it can to render maximum service at minimum costs to the users of its service.

More could be done and will be done if laws governing transportation agencies are modernized to permit the railroads to price freight transportation realistically with reference to the cost of providing various types of service.

The present-day lack of realism can perhaps be pointed out in this way. On Dec. 6, 1956, Southern placed in service at its accounting headquarters in Atlanta, Ga., an "electronic brain" known officially as the IBM 705, Model II, Electronic Data Processing Machine. Latest, largest and fastest of its breed, it will race through paper work at lightning speed.

Some of this paper work is the same as that painstakingly worked out with pencil or pen in the last years of the 19th century. And it is the same because the philosophy of Federal transportation regulation currently hampering full development of railroad capacity dates back that far.

Development of Southern's capacity to serve the South has kept pace with the needs of its territory. It will continue to keep pace with the still rapidly expanding economic importance of the South. Nineteen fifty-seven will be a very good year in the South.

The Southern will be able to serve industry and business in the region even better than it now does if 1957 brings with it a revised national transportation policy that allows the same competitive forces freedom to act on transportation costs that are now allowed to operate in other areas of our economic life.

GEORGE S. DIVELY

President and Chairman of the Board, Harris-Seybold Company

As a manufacturer of a broad variety of equipment and supplies for the printing and publishing industry, Harris-Seybold's view of the year ahead must take into account both general business factors, and factors with special meaning to our customers in "the graphic arts." This statement, therefore, covers the outlook from three viewpoints: general business, printing and publishing, and Harris-Seybold itself.

G. S. Dively

General Business

The new year is starting at the highest economic level in the country's history. Most business managers and economists appear confident that the high level of business will hold, but that there may be a test of business strength about midyear. However, if businessmen continue to exercise good judgment and restraint in keeping inventories in line, and barring serious international complications, the last half of 1957 should continue very active.

Printing and Publishing

With the continuing high level of employment and personal income, the U. S. is evolving more and more into a consumption economy. Advertising is a major key to stimulating this consumption and is particularly important during competitive times, such as we are now experiencing to an increasing degree. Printed advertising has been growing at a rate more than double the national economy. The graphic arts industry has been benefiting directly from this growth, and should continue to do so next year and the years ahead. As a manufacturer of equipment and supplies for many segments of the industry—including printers, lithographers, magazine and book publishers, carton manufacturers, paper mills, metal container producers, envelope makers, trade binders and paper converters—we feel that our customers have good prospects for 1957. Advertising growth, color growth, longer printing runs, and the trend to more productive equipment to keep pace with increases in wages and prices, all point to comparatively high volume and greater efficiency for progressive graphic arts companies.

Harris-Seybold

As to this company, we look for a good year in 1957. Harris-Seybold will continue to emphasize broader customer services, through further expansion and technical training of its sales and service organization. From the longer viewpoint, we plan increased emphasis on our research and development program, which is now being centralized for the entire company in expanded facilities in Cleveland.

R. R. DEUPREE

Chairman of the Board, The Procter & Gamble Company

In looking ahead no one can fail to be impressed by the fact that the American people today have more money to spend over and above the cost of food, clothing, and shelter than ever before in history; they have a great deal more, an amount which has steadily increased over the last few years. With this tremendous backlog of purchasing power there is little doubt that the general economy of the country should continue on an increased basis, certainly for the next twelve months. So when we look forward to the year ahead, we feel confident of our progress in this kind of an economy.

Richard R. Deupree

EDGAR H. DIXON

President, Middle South Utilities, Inc.

"Seldom in the experience of a lifetime are a people, so rich in natural resources and native talents, given such an opportunity and such a challenge."

We expressed this sentiment shortly before the formation of Middle South Utilities, Inc. in 1949. And now, as we consider the outlook for 1957 and the years beyond, it seems a proper thought to repeat.

Edgar H. Dixon

Everywhere in the Middle South states—from the Ozarks of Arkansas to the river deltas of Louisiana and Mississippi—the people have seen the opportunity and accepted the challenge. The area's latent strength and potential wealth is being developed by unparalleled endeavor.

The Middle South System, consisting of Arkansas Power & Light Co., Louisiana Power & Light Co., Mississippi Power & Light Co., and New Orleans Public Service Inc., mirrors this development with its own growth. It is no longer a question of whether new highs in energy sales and revenues will be established in each year. Rather, it is a question of by what degree the new records will surpass those of the previous year.

The Middle South System is building today for 1957, and the other years ahead, with the same optimism that has prevailed, and has been justified, for the past 10 years.

In 1953 and 1954 the System operating companies completed 775,000 kilowatts of new generating capacity, or more than one-and-a-half times the capacity of the entire System at the end of World War II. In 1955 another new unit was installed, raising owned capacity to 2,160,000 kilowatts, and providing a comfortable reserve over our 1956 adjusted peak load of 1,831,000 kilowatts.

The vigorous construction programs of the past few years were in keeping with the tempo of the economy of the Middle South and our forecasts of future demands for power in the territory. Likewise, our currently planned construction program, which encompasses larger and still more efficient generating units, is in keeping with our optimism for the future of our service area.

In 1957 New Orleans Public Service Inc. will complete installation of a 102,000-kilowatt unit. This will be followed by a 210,000-kilowatt unit to be installed by Louisiana Power & Light Company in 1958 and a 230,000-kilowatt unit to be completed by Mississippi Power & Light Company in 1959 at a cost of $25 million. The Mississippi unit, the cost of which will be greater than the company's total capitalization as recently as 1945, exemplifies our System's growth and progress.

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Dyer Renominated By Am. S. E. Gov. Board

James R. Dyer, stock specialist and American Stock Exchange member for the past 28 years, was renominated for the office of Chairman of the market's board of governors by the exchange's Nominating Committee according to an announcement by Edward T. McCormick, Exchange President. The post will be filled at the annual election on Feb. 11, 1957.

The Nominating Committee, headed by Alfred J. McDermott, also named five regular members for three year board terms, four non-regular members, also for three year terms, one non-regular member for a one year term and two trustees of the gratuity fund for three year terms.

Mr. Dyer, who was born and raised in New York City, began his Wall Street career as an order clerk for Shearson, Hammill & Co. in 1927 following the receipt of a BA degree from Manhattan College. He became a salaried market employee for Dates & Dyer with whom his father was a partner, in 1928. In 1929 he became a member of the old New York Curb Exchange and was elected to partnership in Dates & Dyer.

He was first elected to the Exchange's Board of Governors in 1946 and has served on most of the market's principal committees. He was elected to three year terms in 1947, 1951 and 1954. In 1952 Dyer was elected Vice-Chairman of the board. He became Board Chairman in 1956. Dyer is a member of the New York Athletic Club, The Friendly Sons of Saint Patrick, The Cardinal's Committee of the Laity for Catholic Charities in the Diocese of New York and the American Stock Exchange Five & Twenty Club.

Nominated as regular member governors for a three year term were Leonard I. Bregman, Bregman, Cummings & Co., Charles W. Halden, Halden & Co., Walter E. Kimm, Jr., Kimm & Co., J. Robert Laidlaw, Laidlaw & Co., and William N. Moxley, Shearson, Hammill & Co. Bregman & Halden served on the Board in the past. Kimm, Laidlaw and Moxley are nominees for the first time.

Named as non-regular member governors for a three year term where John J. Miles, Jr., Adriance & Finn, Winfield H. Perdun, Smith Barney & Co., Paul Porzelt, Emanual, Deetjen & Co., and Harold A. Rousselot, F. I. duPont & Co. Miles and Rousselot served on the Board in the past. Perdun and Porzelt are nominees for the first time.

Nominated as a non-regular member governor for a one year term was John Brick, Paine Webber, Jackson & Curtis. This is his first nomination.

Timothy J. Reardon, Andrews, Posner & Rothschild, and Robert J. Smith, Sexton & Smith were nominated to three year terms as trustees of the Gratuity Fund.

Serving with McDermott on the Nominating Committee were Carl F. Cushing, W. E. Burnett & Co., William P. S. Earle, Jr., Koerner & Co., and James A. Herman as regular members and William E. Dugan, Laidlaw & Co., N. Leonard Jarvis, Hayden, Stone & Co., and Laurence B. Rossbach, Bache & Co. as non-regular members.

Alan Company Formed

MIAMI BEACH, Fla. — Joseph Applebaum is engaging in a securities business from offices at 411 71st Street under the firm name of The Alan Company.

Jay Kaufmann Branch

BALTIMORE, Md. — Jay W. Kaufmann & Co. have opened a branch office at 225 East Redwood Street under the direction of Donald Cole.

Central Republic Co. Opens Kansas City Br.

OMAHA, Neb.—Central Republic Company announces that the opening of a new office on Jan. 7, 1957, in Kansas City, Mo., under the supervision of Edwin M. Chapline, Room 531, Railway Exchange Building, 7th and Walnut Streets, telephone Grand 1-5809.

Mr. Chapline has been with the firm in the Omaha and Chicago offices.

With Brainard, Judd

HARTFORD, Conn. — John B. O'Brien is now connected with Brainard, Judd & Co., 75 Pearl Street.

Niagara Mohawk Pwr. Debentures Offered

Niagara Mohawk Power Corp. is offering to holders of its common stock, rights to subscribe for $46,224,200 of 4⅝% convertible debentures, due Feb. 1, 1972, at a subscription price of $100 for each $100 of debentures, on the basis of $100 principal amount of debentures for each 25 shares of common stock held of record Jan. 10, 1957. Subscription rights will expire at 3:30 p.m. (EST) on Jan. 28, 1957.

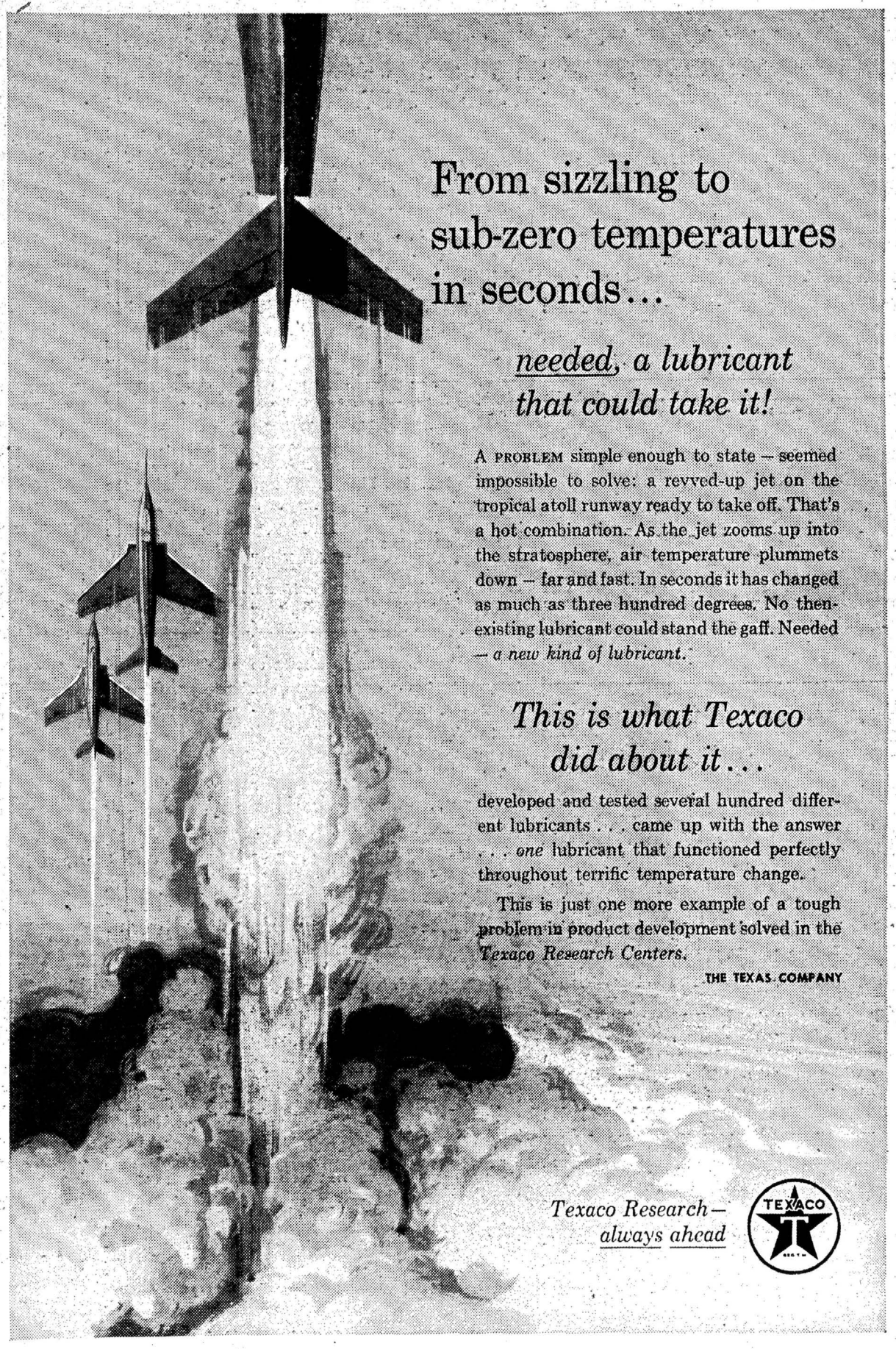
Harriman Ripley & Co., Inc. is manager of an investment banking syndicate which is underwriting the offering.

Net proceeds from the sale of the debentures will be used for the payment of $30,000,000 principal amount of short-term bank loans incurred in connection with the company's construction program; to reimburse the company's treasury and to finance in part its construction program.

The debentures will be convertible into common stock of the company through Feb. 1, 1972, unless called for previous redemption, at $31.75 per share. The debentures will be redeemable, at the option of the company, at redemption prices ranging from 105% to par, plus accrued interest.

Niagara Mohawk Power Corp. renders electric service to the public in highly industrialized areas in New York State having a total population of about 3,200,000, extending from the Niagara Frontier to the Hudson River Valley and from New York State's northern boundaries to the Catskill mountain foothills on the southeast and the Pennsylvania border on the southwest. Principal cities served are Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. The company also distributes natural gas in three areas in central, northern and eastern New York.

For the 12 months ended Oct. 31, 1956, the company and its wholly-owned subsidiaries had consolidated operating revenues of $243,274,000 and consolidated net income of $29,349,000.



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WILLARD E. DODD

President, Knott Hotels Corporation

The continuous increase in room occupancy each month since October 1955 is perhaps the outstanding factor in making a forecast as to the future. There does not appear to be any lessening in the demand for rooms, especially in the larger cities. I refer particularly to New York, Pittsburgh, Washington, D. C., and London, England.

Willard E. Dodd

Our profits from operations for the nine months ended Sept. 30, 1956 indicated that our gain of 40% would be maintained for the entire year. Other than the Pocahontas Motor Lodge at Williamsburg, Va., we did not add any new units during the year which are in operation.

Based on the results of the past year I would predict that our earnings, augmented by units which will be added in 1957, should be better in the coming year.

Our expansion program started several years ago, has proven to be of considerable benefit in the building up of our net income. The addition of motels, which show a much larger percentage of return on invested capital than do most hotels, has convinced our officers and directors that the selection of proper sites, affording good accommodations will continue to be an excellent source of income, especially in or near small cities and those with but second grade hotels.

Food and beverage sales have not increased in the same proportion as has the rooms, the overall gain being but 4%. Most restaurants are not producing the profits that were earned in 1955. In this department, labor costs have risen to the point where the profit cannot be maintained without increasing menu prices.

This has not been found feasible because of keen competition and the fact that many large companies have instituted in-plant feeding facilities for employees thus reducing the number of potential customers.

In several of our hotels, new banquet and bar facilities have been added and these will be a means of increasing profits in those particular locations.

From present indications, it would appear that the level of room occupancy established in 1956 would continue for some time and perhaps improve in some instances. For this reason, I do not hesitate to predict that, barring unforeseen incidents—1957 will be at least good as 1956.

ROBERT G. DUNLOP

President, Sun Oil Company

In 1956, the United States oil industry supplied more crude petroleum and products to more consumers than in any previous year. And in 1957, oil companies will have to produce, transport, refine and market even more oil to keep pace with the steady climb in demand.

Robert G. Dunlop

Domestic demand in 1956 increased 5.5% over 1955. Early estimates for the year had predicted an increase in domestic demand of about 4.5%. For the coming year, it appears now that domestic demand will rise about 5%.

Emergency oil shipments from the United States to Europe from mid-November to the end of 1956 have pushed the year's exports 7% above those for 1955. Continuation of emergency oil shipments for at least the first six months of 1957 will result in an export level at least double that of 1956. The oil industry in 1956 expanded all phases of its activities. Because of this expansion, capital expenditures by oil companies in the U. S. in the year just past represented an all-time high of $5.6 billion, excluding lease bonus payments. Typical of the industry's dynamic growth is the fact that in 1956 almost 59,000 wells were drilled—a record number for a single year.

In 1957, it is expected that capital expenditures will exceed those of 1956 by roughly 8%. New records in operations are also predicted, and every company within the industry will face stiff competition just in keeping in step with the pace of progress.

Oil company earnings in 1956 surpassed 1955, placing the industry in a stronger financial position to carry out the extensive expansion programs planned for 1957.

Sun Oil Company will continue to spend record sums for expansion and modernization in 1957. Its planning is based on the assumption of a continued high level of economic activity.

The extension of Sun's multi-grade system of marketing gasoline throughout its 19-state marketing territory, new exploration and drilling ventures in the western hemisphere, modernization of refining facilities, and normal expansion of Company markets account for the largest portion of the expected capital expenditures.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Nebraska

I have gazed into my crystal ball and have decided to operate very cautiously during the coming year of 1957! I will watch, look and listen!

Our mid-west has (enjoyed) two years of drouth. This has affected the spending of our farmers to a great degree, and while we do have some industry which helps, we don't have enough to offset the spending we expect from our farmers. We have encouraged our farmers to put in irrigation wells, and have urged our out-state bankers to help the farmers cover this added expense with loans. The drouth brings problems, especially to retired people who expect the income from their farm to take care of them during their late years.

Byron Dunn

The national outlook is very important because of the price it puts on Government bonds. All bank portfolios should consist of at least 50% Governments regardless of the price.

It is my opinion that Government bonds will go considerably lower, until about September or October of 1957 when they will come back to a profitable basis where they can be traded in again.

New buildings and modern equipment have switched tremendous funds in every company from liquid assets to frozen assets, and have put longer loans into banks and finance companies. It will take time to recover the liquidity that is needed to make any business prosper. However, I do believe that by October of 1957 we will notice a change for the better in our money situation.

Surely we have enough buildings and equipment to take care of future needs in production capacity with the exception of a period of war. I don't mean by that that we won't continue to modernize equipment and enlarge quarters—but not at the large scale we have witnessed over the last two or three years. It is always healthy for business to modernize and improve and maintain a prosperous basis.

The "Chronicle's" idea of getting the opinions of many people from all over the country, the pooling of thoughts and ideas of many, will be of help to all businessmen. I, personally, look forward to reading the opinions of other men in business as it gives me excellent help in planning for ourselves and our customers.

RAFAEL DURAND

Continental Executive Director, Economic Development Administration of Puerto Rico

Puerto Rico has been in the news often during the past year.

Big U. S. manufacturers like Union Carbide, General Electric and W. R. Grace have set up branch installations in the Commonwealth.

Almost a thousand "Point Four" observers representing 60 countries of the world have visited the island.

Rafael Durand

Puerto Rico's Governor, Luis Munoz Marin, received a 1956 "Freedom House" award for "demonstrating the effectiveness of democracy" and was overwhelmingly elected to a third term.

These are not isolated events. They are part of a pattern we call "Operation Bootstrap." It has important meaning for profit-minded U. S. investors and also for millions of people in underdeveloped areas on both sides of the Iron Curtain. It has particularly important meaning now when placed beside such happenings as the turmoil in Egypt and the trouble in Hungary.

"Bootstrap" goes back 16 years to 1940. Designed by Munoz Marin, then President of the Puerto Rican Senate, it has perhaps two central aims: to lift Puerto Rico out of the economic doldrums through what is essentially a self-help program, then to distribute the resulting benefits as widely and effectively as possible.

"Bootstrap" is backed up by many basically social programs: road-building, hospitals and sanitation, rural electrification, land reform and particularly all levels of public education. But it has also a very strong strictly economic side—designed to create a bigger income pie for Puerto Rico, not just distribute it more fairly. It is with this effort to raise Puerto Rico's standard of living that I want to deal particularly.

Puerto Rico's economic development program is in a practical sense—10 years old. For in 1947 the first Industrial Incentives Act was written, with the purpose of interesting manufacturers, and particularly U. S. manufacturers, in production in Puerto Rico. The attractions were many. Among them: tariff-free access to the nearby U. S. market, no Federal taxes, no Puerto Rican taxes for a decade, a sizeable wage differential, a democratic and stable government in which dishonesty and corruption are unknown.

How has this program worked out?

To date we have a total of just under 450 "bootstrap" plants, about three-quarters of them U. S. owned. Including such household names as Remington Rand, General Electric, Paper-Mate, Consolidated Cigar, Sylvania and Beaunit Mills, these new factories today manufacture over $100,000,000 worth of products, most of them distributed in the states.

Moreover, the new plants have added about 70,000 jobs direct or indirect to the economy and support to a quarter of a million people, more than a tenth of the Commonwealth's population.

U. S. branch companies have brought employment and income to Puerto Rico, but they have in addition brought in industrial experience and know-how. Some 100 local companies have also come in under the program, many of them large and flourishing. Consider just two local plants established since 1955, a $12,000,000 ammonia plant and a $2,000,000 steel bar factory. You begin to understand why for the first time an industrial middle class of managers and technicians is growing up in Puerto Rico, why engineering and business administration have become among the most popular courses in the island's universities.

The benefits of industrialization have fanned out in all directions. Electrification has been enormously encouraged and today extends to over half of Puerto Rico's rural population. Road-building has been stimulated to a point where a network of highways cover the island and a smaller network of super-highways has begun to surround the capital city of San Juan.

When there is economic opportunity, education takes on added meaning, and today 80% of Puerto Rico's children are in elementary school, the highest percentage in Latin America.

When an unemployed worker gets a job, he spends or saves his new income, and commerce and banking have both received tremendous impetus from industrialization. In fiscal 1956 alone bank deposits climbed 9% over the previous year to $336,000,000 and merchandise shipments from the U. S. were up 10% to $550,000,000.

Industrialization has also gone a long way toward strengthening Puerto Rico's traditional bonds of friendship with the continental United States. In fact constructive political change has closely paralleled economic improvement. The culmination here came in 1952 when Puerto Rico, after creating its own constitution, became a Commonwealth voluntarily associated with the United States. The compact was ratified by both the U. S. Congress and the Puerto Rican people.

Self-governing in all internal affairs, Puerto Rico has its own Constitution, its own elected Governor, its own Congress, its own laws, its own culture and language. At the same time it is within the U. S. monetary postal and customs area; is permanently safeguarded by the U. S. Constitution, armed forces and Federal courts.

Discussing this unique political relationship Chief Justice Earl Warren said some months ago, "The Commonwealth of Puerto Rico represents an experiment—the newest and perhaps the most notable of American governmental experiments in our lifetimes."

Viewed from this broad social, economic and political perspective, what then can we say about Puerto Rico in the year 1956? Let me cite only four developments:

First, Puerto Rico is no longer a "poor" country relative to the rest of the world. During 1956 total net income for the first time reached $1 billion and family income averaged $2,360. In addition, manufacturing wages averaged around $0.65 an hour, higher than in most longer-industrialized countries like Germany, Great Britain, Italy and France, although still lower than the U. S.

Second, Puerto Rico has reached a balanced economy. In 1956, income from industry for the first time surpassed income from agriculture, pointing the direction of Puerto Rico's future.

Third, Puerto Rico is appealing to larger, better known U. S. investors. This year more than 100 U. S. firms established operations in the Commonwealth. In this list two trends were evident: toward bigger capital investment, toward wider product diversification. Examples of these trends: Union Carbide's new $28,000,000 ethylene glycol facility, three divisions of General Electric with an investment of over $15,000,000; $60,000,000 worth of new oil refineries.

Fourth, Puerto Rico has strengthened its political and economic ties with the United States. In the gubernatorial elections of November, 1956, over 60% of the electorate voted for a continuance of Commonwealth status and nearly 90% voted for a permanent political association with the United States.

On the economic front, "Operation Bootstrap" continued to pay dividends not only for manufacturers in Puerto Rico but for U. S. producers selling to Puerto Rico. With increased standards of living, Puerto Ricans have continued to spend around 50 cents out of every new dollar for U. S.-shipped products. Today, with per capita stateside purchases of $240, the Puerto Rican is the biggest per capita customer of U. S. goods and services in the world.

During 17 years "Operation Bootstrap" has marched forward with ever-lengthening steps, and predictions along the way have usually fallen short of the mark. Nonetheless, let me just make a brief prognosis as to Puerto Rico and the immediate future:

Economy—Chronologically, Puerto Rico is perhaps a century behind the United States in development, but in less than a single generation the island has gone a long way toward closing the gap. By 1962, the economic activity in Puerto Rico should reach the level of some of the Southern states.

Industrialization—New plants are now establishing in Puerto Rico at the rate of almost three a week. Within the next five years there should be more than 1,000 "bootstrap" factories in the Commonwealth. The list should read a good deal like a *Who's Who in American*

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State of the Union Message in Full Text

private enterprise should be encouraged to participate in such projects.

Water Problem Steady

I would like to make special mention of programs for making the best uses of water, rapidly becoming our most precious natural resource, just as it can be, when neglected, a destroyer of both life and wealth. There has been prepared and published a comprehensive water report developed by a Cabinet Committee and relating to all phases of this particular problem.

In the light of this report, there are two things I believe we should keep constantly in mind. The first is that each of our great river valleys should be considered as a whole. Piecemeal operations within each lesser drainage area can be self-defeating or, at the very least, needlessly expensive. The second is that the domestic and industrial demands for water grow far more rapidly than does our population.

The whole matter of making the best use of each drop of water from the moment it touches our soil until it reaches the oceans, for such purposes as irrigation, flood control, power production, and domestic and industrial uses clearly demands the closest kind of cooperation and partnership between municipalities, States and the Federal Government. Through partnership of Federal, state and local authorities in these vast projects we can obtain the economy and efficiency of development and operation that springs from a lively sense of local responsibility.

Until such partnership is established on a proper and logical basis of sharing authority, responsibility and costs, our country will never have both the fully productive use of water that it so obviously needs and protection against disastrous flood.

If we fail in this, all the many tasks that need to be done in America could be accomplished only at an excessive cost, by the growth of a stifling bureaucracy, and eventually with a dangerous degree of centralized control over our national life.

In all domestic matters, I believe that the people of the United States will expect of us effective action to remedy past failure in meeting critical needs.

Urges School Legislation

High priority should be given the school construction bill. This will benefit children of all races throughout the country—and children of all races need schools now. A program designed to meet emergency needs for more classrooms should be enacted without delay. I am hopeful that this program can be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration. I urge the people in all sections of the country to approach these problems with calm and reason, with mutual understanding and good will, and in the American tradition of deep respect for the orderly processes of law and justice.

I should say here that we have much reason to be proud of the progress our people are making in mutual understanding—the chief buttress of human and civil rights. Steadily we are moving closer to the goal of fair and equal treatment of citizens without regard to race or color. But unhappily much remains to be done.

Civil Rights Program

Last year the Administration recommended to the Congress a four-point program to reinforce civil rights. That program included:

(1) Creation of a bipartisan commission to investigate asserted violations of civil rights and to make recommendations;

(2) Creation of a civil rights division in the Department of Justice in charge of an Assistant Attorney General;

(3) Enactment by the Congress of new laws to aid in the enforcement of voting rights; and

(4) Amendment of the laws so as to permit the Federal Government to seek from the civil courts preventive relief in civil rights cases.

I urge that the Congress enact this legislation.

National Monetary Commission

Essential to the stable economic growth we seek is a system of well-adapted and efficient financial institutions. I believe the time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy takes effect. I believe the Congress should authorize the creation of a commission of able and qualified citizens to undertake this vital inquiry. Out of their findings and recommendations the Administration would develop and present to the Congress any legislative proposals that might be indicated for the purpose of improving our financial machinery.

In this message it seems unnecessary that I should repeat recommendations involving our domestic affairs that have been urged upon the Congress during the past four years, but which in some instances, did not reach the stage of completely satisfactory legislation.

The Administration will, through future messages either directly from me or from heads of the departments and agencies, transmit to the Congress recommendations involving our financial and fiscal affairs, our military and civil defenses; the administration of justice; our agricultural economy; our domestic and foreign commerce; the urgently needed increase in our postal rates; the development of our natural resources; our labor laws, including our labor-management relations legislation, and vital aspects of the health, education and welfare of our people. There will be special recommendations dealing with such subjects as atomic energy, the furthering of public works, the continued efforts to eliminate government competition with the businesses of tax-paying citizens.

A number of legislative recommendations will be mentioned specifically in my forthcoming Budget Message, which will reach you within the week. That message will also recommend such sums as are needed to implement the proposed action.

Threats to World Peace

The existence of a strongly armed imperialistic dictatorship poses a continuing threat to the free world's and thus to our own nation's security and peace. There are certain truths to be remembered here.

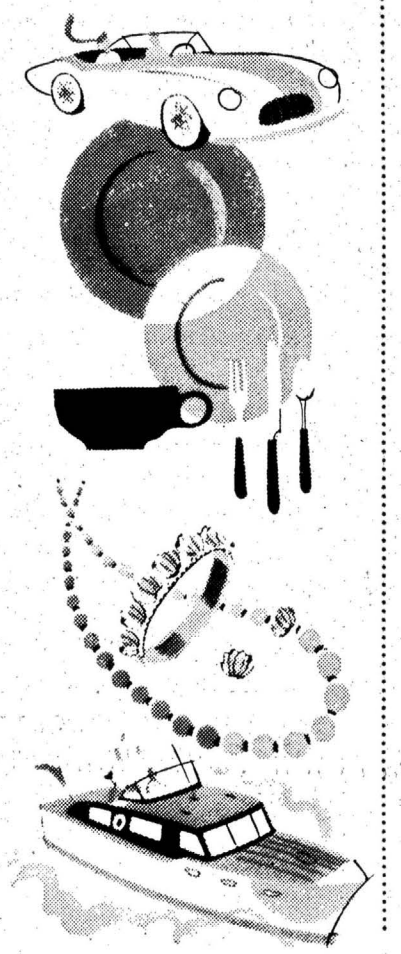
First, America alone and isolated, cannot assure even its own

Continued on page 67

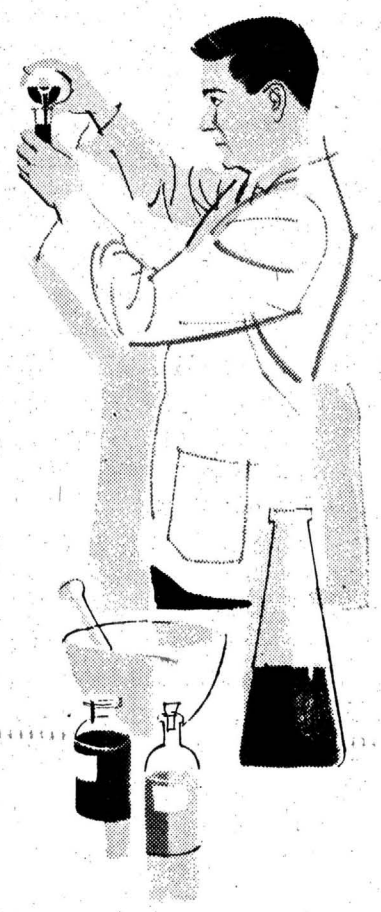
Cyanamid Means ...

Better Textiles

Better Plastics



Better Drugs and Pharmaceuticals



■ These are just a few of the many products Cyanamid is helping to improve through chemical research and the application of chemicals. Among others are—Metals . . . Food . . . Paper . . . Rubber . . . Leather . . . Agricultural Chemicals . . . Petroleum . . . Surface Coatings . . . Explosives. For further information, call or write AMERICAN CYANAMID COMPANY, 30 Rockefeller Plaza, New York 20, N. Y.

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Industry. In terms of services, Puerto Rico should have an industrial climate as favorable as any in the world.

Tourism—With temperatures consistently in the seventies, fine beaches and sports facilities, along with a Spanish culture that goes back a century before the Mayflower, Puerto Rico has proved of enormous appeal to tourists. In fact only this year did the supply of accommodations begin to catch up with the demand, and there are currently some 11 hotel projects in work representing an investment of $12,000,000 and a potential of 1,500 new guest rooms. In the past 10 years the island has risen to second place within the Caribbean in number of visitors. In the years ahead it will be aiming at the number one position.

World Significance—Already some 3,000 "Point Four" observers from five continents have come to Puerto Rico to learn and adapt. With both colonial and totalitarian controls breaking down all over the world, the success of Puerto Rico's self-help effort and free association with the United States will prove of increasing importance.

As Governor Munoz Marin put it in a recent speech before the Associated Harvard Clubs, "The Puerto Rican experience . . . reveals the U. S. at its undogmatic best: the helping hand guided by the undoctrinaire spirit, so forgetful of its bigness that it reveals its greatness."

To investors looking for a new industrial frontier, tourists interested in Latin American traditions, leaders of underdeveloped areas seeking an example of self-development in democracy, the laboratory of Puerto Rico will mean more and more in the months and years to come.

CYRUS S. EATON

Chairman of the Board,
The Chesapeake and Ohio Railway Company

Nineteen hundred and fifty-seven begins briskly, with bright signs everywhere of another near record year of expansion and prosperity for American business and industry. For the basic industries with which I am associated—transportation, iron ore, coal, steel, power and paint, I see great opportunities ahead.

Cyrus S. Eaton

Our unique American economy, in which all of our people share, and to which all of our people contribute, stands as an inspiration to the rest of the world. Through application of our practical intelligence, and willingness to work, we have raised our standard of living to the highest level ever achieved in the history of mankind. Our example has excited the imagination of peoples around the globe, so that nation after nation is looking to us not only for know-how but also for investment of our funds in their enterprises. Barring war, the one conceivable deterrent to steady continuation of our brilliant economic progress could be insufficient credit. Unfortunately, our marvelous industrial growth has not been matched by corresponding expansion of our banking system. In my more than half a century on the American business scene, while I have been constantly thrilled by the transformation that the industrial revolution has wrought in almost every aspect of our daily lives, I have been deeply puzzled that banking has not kept pace. Our economic growth suffered severe setbacks from the financial panics of 1907, 1914, 1921 and 1929. In each case, stronger banking power would have substantially alleviated if not completely averted the ensuing industrial disasters. With our thousands upon thousands of small independent banking units, all with a few notable exceptions operating in relatively small geographical compass, we have never been and still are not adequately prepared to meet all of our own domestic requirements in boom times, nor to withstand the shocks of financial debacles.

If we are now to assume the role of banker to the world, as well as meet the increasing credit requirements of our growing volume of business at home, these prosperous times provide the logical moment to revitalize our banking system. A capitalistic nation of the size and the resources of the United States ought to have at least a dozen privately owned and privately managed banks capable of loaning as much as $100,000,000 to a single borrower. Legally to command such borrowing power, these banks would have to have capital and surplus totaling at least $1,000,000,000 each. Headquarters of these banks should be well distributed geographically.

How far are we from this goal? At the end of 1955, our 12 largest banks on the basis of capital funds ranged from capital and surplus totaling $500,000,000 down to $130,000,000. Thus $50,000,000 was the maximum legal loan limit of America's largest bank. Of these 12 banks, seven are located in New York, two in Chicago and one each in San Francisco, Pittsburgh and Boston.

To create larger banking institutions of the magnitude needed to support our domestic and international credit requirements would, of course, require amendments to both our Federal and state banking laws. The problem, therefore, calls for the best thinking of our statesmen, as well as our bankers, economists and businessmen.

This is capitalism's greatest challenge. If the United States can meet it squarely now, when our faith in ourselves is high, then American private enterprise will lead the world to unprecedented prosperity.

GEORGE S. ECCLES

President, First Security Bank of Utah, Salt Lake City

Although a good business year is indicated for 1957, the rate of increase should be less than that of 1956. There may be some leveling off by midyear. There remains some threat of additional inflation as evidenced by price increases due largely to wage spirals where wages have increased beyond that of labor productivity.

George S. Eccles

The Federal Reserve tight money policy has been successful in preventing further inflationary pressures so far as possible with monetary controls. Increase in prices, however, can be traced principally to wage spirals over which tight money policies cannot be effective.

We are riding the crest, but don't know how wide it is. We have full employment, and production at capacity in many industries, the highest purchasing power in our history, and also a new peak in credit expansion. Among the factors significant in the 1957 outlook are the following:

(1) Demand and orders for steel should keep production at ful capacity, at least for the first six months. Requirements for steel for shipbuilding with the expanded Merchant Marine will reduce further the amount of steel that would otherwise be available for fabrication, pipelines, building construction, and other industries.

(2) Production of most nonferrous metals should also continue high, but because of price decreases, less overtime is expected and some decrease in production at the higher cost operations.

(3) Production of cement and most other building materials will strain capacity due in part to increased highway construction.

(4) Slight decrease in demand for construction materials for housing will reduce overtime in a number of industries associated with residential construction. Lumber production should not be above that of 1956.

Specifically, the following items are of major significance in the outlook for 1957:

A. Gross National Product, National and Personal Income should increase by at least 3%. Part of this will be reflection of price increases.

B. Capital expenditures and new plant and equipment have been forecast at $43 billion. This is 10% above the 1956 peak year. Some of these expenditures, however, will be curtailed and postponed because of shortages of materials, especially steel and also because of inadequate long term capital. Construction of utilities cannot be postponed to any significant extent.

C. Residential construction will fall below that of 1956 because of shortages of mortgage money and the high cost of construction.

From the standpoint of banking and credit, the following are significant:

A. Increased interest rate on savings may increase quantity and rate of savings above that of 1956. This might, by the latter part of 1957, provide more funds for mortgages and business capital.

B. Inventory accumulations have been relatively high. Credit demand for inventory will be less than in 1956.

C. Credit expansion will not be equal to that of the past year because loans have already been extended almost to the limit.

D. Prices for most industrial products will be relatively high because of three-year wage contracts and escalator clauses.

E. Tight credit policies should show real effectiveness in the months ahead to bring about some readjustments of economic patterns.

A. G. ELAM

President, Southern Commercial and Savings Bank, St. Louis, Missouri

In predicting what is going to happen to banking during the year of 1957, several "ifs" must be used in the forecast for any degree of certainty.

The first "if" depends almost wholly on the international situation, particularly the Middle East. If the United Nations, in conjunction with our State Department, is able to convince the saber-rattling fellows like Nasser, Krushchev, Bulganin and Molotov that we mean business, the U. S. S. R., plus its satellites, will calm down. Since that is an unknown quantity, it is quite evident and certain that appropriations for defense and foreign aid expenditures will exceed $50 billion. Naturally, this will create a continued fictitious prosperity that looks good on the surface, but underneath will be tremendously dangerous, because it will be filled with inflationary dynamite. On the other hand, if Nasser and his sponsors can see the futility of their ambitions, then we can avoid the so-called "Last War!" (Caesar, Napoleon, Hitler, Mussolini and Tojo recognized the error of their ways too late.) It appears that our State Department and the United Nations are determined to get tough, which will act as a deterrent to the warmongers.

A. G. Elam

Assuming that World War III will be avoided without the vast expenditures above mentioned then our economy can, and no doubt will, gradually get back on a more sound basis and we will be able to use our vast resources for constructive rather than destructive purposes. In so doing, the dollar will become more valuable, and we will all be proud of our sane and sound progress. Naturally, reducing the huge debt will be a contributing factor in creating a more valuable dollar instead of the 47-cent dollar we now have. Monetary sanity means avoiding further inflation and will convince the thinking people that we are once again on the road to economic stability.

The second big "if" is this—Will the people of America wake up and realize that one of the most dangerous places in the world to live is beyond their means? This applies especially to the astounding personal debt. According to authoritative sources, the personal debt at the present time is approximately $150 billion. This figure has increased more than $100 billion in the last ten years. It is stupendous and staggering, and if we do not change our spending habits and our borrowing habits, we're in for trouble, and it will take us years upon years to extricate ourselves. If financial institutions and merchants will discourage a lot of unnecessary and extravagant buying "on the cuff," then an about face will follow, and this will eventually lead to a healthy economy. No individual, no state, no nation has ever been able to recover when it consistently and persistently went further and further into debt, and I am constrained to believe that bankers are most guilty by encouraging the practices that enable the individual to go deeper and deeper into debt. Today's custom—buy now, pay later—will prove to be disastrous.

The Federal Reserve Board in its tight money policy has been very wise and is working in a direction which will keep us from going over the brink. Many have criticized the Federal Reserve Board in Washington for its attitude in this regard. Regardless of the consequences, the people of America must realize that tightening of the belt, though unpopular, is absolutely essential and necessary to save us from ourselves. I hope and believe that within the near future, we, as a great people and as businessmen will realize the fallacy of overspending and under-saving.

Therefore, if intelligent and sensible policies are adopted and adhered to, I predict for 1957 that the banks, through conservative measures as outlined, will prosper and will have a more sound dollar at the end of 1957 than at the beginning.

HON. ALLEN J. ELLENDER

U. S. Congressman from Louisiana

As the first session of the 85th Congress buckles down to work, there are a number of indications that 1957 will have a far-reaching impact upon the economic well-being of the American people. Despite rosy predictions from some spokesmen, I fear that expanded foreign assistance programs, coupled with stepped-up military spending will further increase the national debt and subject our consumers to another wave of galloping inflation.

Allen J. Ellender

Perhaps no other segment of our economy will suffer more heavily from spiralling prices than American agriculture. Still squeezed between fixed or falling prices for farm commodities and rising costs of farm purchases, American agriculture finds itself this year at a crossroads. Unfortunately, it does not appear that any immediate relief is in sight. The Administration is still committed to Secretary of Agriculture Benson's sliding scale support program; any effort to change this program at this time would certainly be met by a Presidential veto, which—at this writing—Congress would not override.

Participation in the Soil Bank may result in reducing productoin to some extent; whether this reduction will be sufficient to bring a rise in farm income remains to be seen. It is my frank and candid opinion at this time that unless all-out participation in the Soil Bank is obtained, farmers can look forward to another year of squeezed income in 1957.

As for our American taxpayers, the prospect of reductions in either personal, excise or corporate taxes is practically non-existent. The new fiscal year will probably bring a substantial increase in our global spending spree; there will be little, if anything, left over in the way of surplus funds. Even if there should be, this money must go first towards retiring at least a part of the national debt. I do not believe the nation should choose or that it can afford to increase the burden to be passed on to our children and grandchildren only to make possible a small tax cut.

Of course, we could make a substantial start on our ultimately necessary journey back to fiscal solvency by exercising some degree of discretion in appropriations for foreign aid and related programs during the year ahead. As of July 1, 1956, Uncle Sam has appropriated something like $46 billion for so-called mutual security, or over double the entire amount voted for WPA and similar programs undertaken during our national depression. Of this amount, roughly $10 billion had not been spent when the 1957 fiscal year began. Despite this huge carryover, the Administration has served notice that it will come to Congress again this year with a request for a bigger foreign aid appropriation. Needless to say, if

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State of the Union Message in Full Text

security. We must be joined by the capability and resolution of nations that have proved themselves dependable defenders of freedom. Isolation from them invites war. Our security is also enhanced by the immeasurable interest that joins us with all peoples who believe that peace with justice must be preserved, that wars of aggression are crimes against humanity.

Another truth is that our survival in today's world requires modern, adequate, dependable military strength. Our nation has made great strides in assuring a modern defense, so armed in new weapons, so deployed, so equipped, that today our security force is the most powerful in our peacetime history. It can punish heavily any enemy who undertakes to attack us. It is a major deterrent to war.

By our research and development more efficient weapons—some of amazing capabilities—are being constantly created. These vital efforts we shall continue. Yet we must not delude ourselves that safety necessarily increases as expenditures for military research or forces in being go up. Indeed, beyond a wise and reasonable level, which is always changing and is under constant study, money spent on arms may be money wasted on sterile metal or inflated costs, thereby weakening the very security and strength we seek.

National security requires far more than military power. Economic and moral factors play indispensable roles. Any program that endangers our economy could defeat us. Any weakening of our national will and resolution, any diminution of the vigor and initiative of our individual citizens, would strike a blow at the heart of our defenses.

The finest military establishment we can produce must work closely in cooperation with the forces of our friends. Our system of regional pacts, developed within the Charter of the United Nations, serves to increase both our own security and the security of other nations.

This system is still a recent introduction on the world scene. Its problems are many and difficult, because it insists on equality among its members and brings into association some nations traditionally divided. Repeatedly in recent months, the collapse of these regional alliances has been predicted. The strains upon them have been at times indeed severe. Despite these strains our regional alliances have proved durable and strong, and dire predictions of their disintegration have proved completely false.

With other free nations, we should vigorously prosecute measures that will promote mutual strength, prosperity and welfare within the free world. Strength is essentially a product of economic health and social well-being. Consequently, even as we continue our programs of military assistance, we must emphasize aid to our friends in building more productive economies and in better satisfying the natural demands of their people for progress. Thereby we shall move a long way toward a peaceful world.

Stresses "Open Skies" Doctrine

A sound and safeguarded agreement for open skies, unarmed aerial sentinels, and reduced armament would provide a valuable contribution toward a durable peace in the years ahead. And we have been persistent in our effort to reach such an agreement. We are prepared to make further proposals in the United Nations. We are willing to enter any reliable agreement which would reverse the trend toward ever more devastating nuclear weapons; reciprocally provide against the possibility of surprise attack; mutually control the outer space missile and satellite development; and make feasible a lower level of armaments and armed forces and an easier burden of military expenditures. Our continuing negotiations in this field are a major part of our quest for a confident peace in this atomic age.

This quest requires as well a constructive attitude among all the nations of the free world toward expansion of trade and investment, that can give all of us opportunity to work out economic betterment.

An essential step in this field is the provision of an administrative agency to insure the orderly and proper operation of existing arrangements under which multilateral trade is now carried on. To that end I urge Congressional authorization for United States membership in the proposed Organization for Trade Cooperation, an action which will speed removal of discrimination against our export trade.

We welcome the efforts of a number of our European friends to achieve an integrated community to develop a common market. We likewise welcome their cooperative effort in the field of atomic energy.

To demonstrate once again our unalterable purpose to make of the atom a peaceful servant of humanity, I shortly shall ask the Congress to authorize full United States participation in the International Atomic Energy Agency.

World events have magnified both the responsibilities and the opportunities of the United States Information Agency. Just as, in recent months, the voice of communism has become more shaken and confused, the voice of truth must be more clearly heard. To enable our Information Agency to cope with these new responsibilities and opportunities, I am asking the Congress to increase appreciably the appropriations for this program and for legislation establishing a career service for the Agency's overseas foreign service officers.

Aid to Hungarian Refugees

The recent historic events in Hungary demand that all free nations share to the extent of their capabilities in the responsibility of granting asylum to victims of Communist persecution. I request the Congress promptly to enact legislation to regularize the status in the United States of Hungarian refugees brought here as parolees. I shall shortly recommend to the Congress by special message the changes in our immigration laws that I deem necessary in the light of our world responsibilities.

The cost of peace is something we must face boldly, fearlessly. Beyond money, it involves changes in attitudes, the renunciation of old prejudices, even the sacrifice of some seeming self-interest.

Soviet Mideast Aggression

Only five days ago I expressed to you the grave concern of your

Continued on page 69

OLDEST BANK IN MICHIGAN 1849

THE DETROIT BANK & TRUST COMPANY

Statement of Condition

December 31, 1956

★

RESOURCES

Cash and Due from Banks		$ 177,744,607
United States Government Obligations		357,338,296
State and Municipal Securities		96,611,869
Corporate and Other Securities		3,756,586
Loans and Discounts	$232,257,203	
Real Estate Loans	142,595,053	374,852,256
Federal Reserve Bank Stock		1,511,400
Bank Properties and Equipment		8,271,587
Accrued Interest and Prepaid Expense		3,871,697
Customers Liability on Letters of Credit		93,909
Other Assets		280,177
Total		$1,024,282,384

★

LIABILITIES

Demand Deposits:		
Individuals, Corporations and Others		$ 494,799,064
U. S. Government		9,007,805
Other Public Funds		30,186,442
		$ 533,993,311
Savings and Time Deposits		416,880,951
Total Deposits		$ 950,874,262
Unearned Interest		4,763,199
Accrued Expenses and Taxes		5,629,517
Liability on Letters of Credit		93,909
Other Liabilities		209,740
Capital Stock ($10.00 par value)	$ 18,378,500	
Surplus	32,000,000	
Undivided Profits	9,509,348	
General Reserves	2,823,909	$ 62,711,757
Total		$1,024,282,384

United States Government Securities in the foregoing statement with a par value of $75,700,000 are pledged to secure public and other deposits where required by law, including deposits of the State of Michigan amounting to $5,657,236.

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this request is honored, the impact it carries will end for at least another year the possibility of much-needed budgetary reforms; if approved, it will loose another avalanche of dollars for a global spending program which apparently exists without any ultimate objective.

In a few weeks, I hope to have ready a report based upon my inspection of our foreign aid operations conducted during a two-month period this fall. This report, as did my four previous reports, will demonstrate that our effort to solve international problems by salving world grievances with the balm of dollars is drawing us perilously close not only to fiscal insolvency but moral bankruptcy, as well. I will recommend to Congress that we substitute imaginative, realistic programs for unlimited spending, and that we seek to uncover and resolve the deep-seated problems which endanger world peace, rather than attempt to bury them under a green blanket of tax dollars.

In this connection, I think we should drive for three major objectives.

First, the substitution of free-enterprise, private development on a partnership basis between United States industry and underdeveloped lands for the present system of uncontrolled Federal spending.

Second, the implementation of a program of true mutual security, with other nations carrying a fair share of the burden of developing backward lands and arming Free World Allies.

Third, a facing up to the realization that some of our Western Allies, principally Great Britain, are incapable of standing alone in the world without integrating their economies with those of Commonwealth nations and their Western European neighbors. Certainly, the creation of a mass-market by economic union of Western Europe would do much towards bringing about needed stability in this area — stability founded upon basic economic principles instead of continued United States grants and loans.

B. L. ENGLAND

President, Atlantic City Electric Company

Atlantic City Electric Company will spend nearly $19 million for new construction in Southern New Jersey during 1957. One-half of this expenditure will be allocated to new generating equipment at Deepwater Station, including an additional 79,000 KW unit to serve anticipated growth in residential electric use and expansion of industry in the area.

B. L. England

During 1956 we added 7,200 new customers to our lines bringing our total number of customers to 210,500. Our gross revenues reached an all-time high of $31,555,000 for 12 months ending November 30th representing an increase of 8.2% over the same period in 1955. The increase in residential use in electricity in the past 12 months was 12%. The average annual residential use of electricity reached 3,100 kilowatt-hours. This compared with 2,157 kilowatthours in 1951. The national figure in 1956 was 2,980. During 1956 our company spent over $13 million for new construction bringing the total construction expenditures to $65.8 million in the past five years.

On November 28, our Board of Directors announced an increase in the regular quarterly dividend on the company's common stock from 30 cents to 32½ cents per share. This will bring the annual dividend rate to $1.30 per share. The 1956 earnings per share amounted to $1.65 compared with $1.54 in 1955. We forecast an increase of $2,900,000 in gross operating revenues for 1957.

In order to supply part of the cash for our construction program during the year we will sell $10 million of first mortgage bonds. Public bids will be received on January 23rd.

JOHN C. EMERY

President, Emery Air Freight Corporation

A minimum 25% increase in the volume of air freight traffic is indicated for 1957, and the actual increase may be considerably better.

There is a dual significance in this forecast. Still in its early growth stage, air freight should grow more rapidly than business in general. However, it has proved to be a remarkably accurate indicator of general business conditions. This forecast, therefore, is for further improvement generally, and an even sharper gain in air freight.

John C. Emery

There are three basic reasons for predicting a good year for air freight in 1957. First, the 1955-56 trend supports it. A turning point in air freight development was reached in 1955, and the significant gains made then were consolidated and further expanded in 1956. After an uncertain start, air freight is now on its way. Second, air freight capacity will increase substantially in 1957, according to airline schedules either newly in effect or shortly to be instituted. Air freight volume closely follows air freight capacity, and it should be stimulated even more than normally in this instance because much of the new 1957 capacity is in areas where the market has far exceeded the ability of air carriers to accommodate the traffic available.

Finally, there is an important new element on which the air carriers can support the sale of air freight speed and dependability to industry. After three years of research, the Harvard Graduate School of Business Administration just recently published its remarkable report on "The Role of Air Freight in Physical Distribution." The ability of air freight speed, even at premium cost, to enable industry to improve and reduce the total costs of its distribution processes is confirmed by this research. Of utmost significance to industry, this research report is the firm economic foundation upon which air freight will grow, not only in 1957 but in all the years ahead.

As the largest air freight forwarder and the only one offering both an international and a nationwide domestic air freight service, Emery Air Freight's growth record is a good index of air freight progress. In 1955 and apparently again in 1956, Emery Air Freight revenue has gone ahead at the rate of $2 million a year. A similar gain is expected in 1957, and this should be typical of air freight transportation as a whole.

FRANK E. FELT

Vice-President, The First National Bank, Jamestown, New York

The high level of business activity which prevailed in 1956 could well be maintained for the greater part of the first six months of this year with the possibility that the economic skies may be partially clouded the last half-year. While the total economy should be at a high level certain segments will experience a declining trend, offset however by greater activity in other lines.

Frank E. Felt

Expenditures for new plant and equipment are being maintained at a record rate but the possibility cannot be overlooked that a decline could occur later in the year by reason of productive capacity having been attained together with the impact of high borrowing costs.

While present indications point to a settlement by peaceful negotiations of the Suez crisis there is a potential trouble spot in the European area of present turmoil. The seething unrest now developing in various Russian satellite states might well provoke the Soviets to inaugurate trouble in other parts of the world to divert attention from their problems there. Should this possibility result in actuality it will have serious repercussions on our economy and that of our allies.

Commercial banks can anticipate a year of good gross earnings resulting from high interest rates on loans and securities, however net profits will suffer not only from higher operating costs but also through payment of higher interest on Savings accounts by those institutions who will take advantage of the Federal Reserve Board's permission to raise the interest ceiling.

To retain a competitive position many banks will be compelled to increase their rates, and the question can well be raised what the outcome will be for those institutions committed to a high rate of interest paid on accounts when business activity declines, resulting in a lower yield on investments and a smaller demand for loans. Undoubtedly there will be a considerable shifting of deposits among banking institutions and it is problematical that it will result in a net increase of deposits sufficient to compensate for higher interest payments.

Banking will have its problems, but the year-end results should be satisfactory.

ROLAND A. ERICKSON

President, Guaranty Bank & Trust Company, Worcester, Massachusetts

Any consideration of the business outlook for 1957 must carefully evaluate the trend of the capital goods expansion program in this economy. During 1956, in spite of a 20% decline in automobile production and a 17% decline in housing starts, over-all activity, as measured by the Federal Reserve Board of Industrial Production, reached new all-time high levels. Never before in modern American history has our nation been able to absorb a major adjustment in the all-important automotive industry without its resulting in a chain reaction of major proportions throughout the economy. This record was made possible by the rising cycle of capital goods expenditures during 1956 with all of its concomitant stimulating influences.

Roland A. Erickson

With the nation operating within a few percentage points of theoretical plant capacity, and the limitation on available workers, it is obvious that we cannot see much gain in 1957 over today's levels. Possible negative factors in 1957 are the appearance of profit squeeze and some over-expansion in certain industries, relatively high inventories, and the tight money market. These factors at the moment, however, seem to be more than offset by the tempo of the many capital goods projects now under way—the rising expenditures by Federal, State and local Governments, a rising automotive market, improving farm income, the nationwide higher wage rates now in effect and over-all price trends. In addition and probably most basic is the fact that there is no speculative froth yet present of the nature of the 1929 period in either the real estate market or the stock market. In fact, about the only area in which there might be over-indulgence is in new plant and equipment. Preliminary surveys suggest continued rising expenditures in this field with no evidence of any collapse during the next six months.

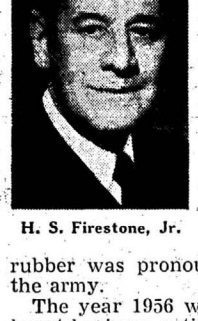
The capital goods cycle, however, has reached a phase where real business statesmanship must be exercised. Under present conditions, the nation cannot afford to spend more than $40 to $45 billion annually for new plant and equipment (at 1956 prices). This means that if steel and related industries must expand because of pronounced shortages in defense materials, there must be offsetting decreases somewhere else in the economy if we are to avoid trouble. My guess is that we will see a stronger first six months in 1957 and a weaker second six months—a reversal of the trend of 1956 but with averages of the two years being within three points of each other.

We should realize, however, that the present capital goods expansion program could lead to a letdown of more serious proportions than anything we have had since World War II. I think it is time for managements to be planning their expansion programs so that there are alternative plans ready to be implemented either as to their rate of execution or as to their financing in the event that a capital goods recession develops.

HARVEY S. FIRESTONE, JR.

Chairman, The Firestone Tire & Rubber Co.

The rubber industry made the greatest strides in its history in the production and development of synthetic rubber during 1956 when, for the first time, it produced more than a million tons. Discovery of ways to produce new types of synthetic rubber with the desirable characteristics of natural rubber was one of the most significant developments of the year.



H. S. Firestone, Jr.

Production of a synthetic with the qualities of natural rubber has been the goal of scientists for many years and facilities to produce it will be steadily expanded to make this country less dependent upon the supply of natural rubber from abroad.

Large truck tires made of Firestone's Coral rubber were tested by U. S. Army ordnance under the most grueling conditions during the year and pronounced "equal or better than truck tires made of natural rubber." It was the first time that a synthetic rubber was pronounced satisfactory for truck tires by the army.

The year 1956 was one of expansion, growth and vibrant business activity for rubber manufacturers.

The industry, one of the dozen largest manufacturing industries in the United States, had its second greatest year in both sales and production.

New products and increased demand for thousands of rubber items from rubber hoses to foam rubber mattresses kept sales volume for all rubber products at a high level.

Rubber industry reports indicate gross sales of rubber products will reach $5,400,000,000. The 1956 sales figure represents a 10-year growth of 57.9% of the 1947 sales volume of $3,420,000,000.

Consumption of rubber products in the United States will amount to 1,435,000 tons.

Synthetic rubber accounted for 60.9% of rubber consumption in 1956, compared with 58.5% during 1955 and 51.6% during 1954.

Tire sales held up despite the drop of nearly 25% in production of new cars from almost 8,000,000 in 1955 to slightly less than 6,000,000 in 1956.

Reports in early December indicated the rubber industry would sell between 101,000,000 and 102,000,000 tires for passenger cars, trucks and tractors during the new year.

Some 62,000,000 or 61.5% of the tires sold last year were replacement—a market expected to become increasingly important as the number of cars on the streets and roads of America swells.

There were 58,600,000 cars and trucks in use in the United States at the end of 1955 and by the end of last year the total had increased to 61,200,000. By the end of 1957 there will be about 64,000,000 cars and trucks in use which will stimulate the demand for replacement tires.

The automobile industry, stimulated by new markets for its 1957 models, has created stronger demand for original equipment tires. New 14-inch tires which began rolling off production lines late in 1956 are expected to account for 80% of original equipment sales in 1957.

By the middle of the year air springs will also be moving out of Firestone's modern new plant now under construction in Noblesville, Ind. They will reduce damage and wear on automobile parts and give motorists the smoothest rides they ever had, and their adoption can be compared with the initial use of pneumatic tires for automobiles. Air springs will become a vitally important factor in the rubber industry in the years ahead.

Diversification and expansion by the rubber industry enhanced its optimistic outlook for the future.

Production of synthetic rubber which has grown steadily during recent years has made great advances in the two years since synthetic rubber plants constructed for government use during World War II were purchased by private industry.

Firestone for example, bought two synthetic plants at

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State of the Union Message in Full Text

government over the threat of Soviet aggression in the Middle East. I asked for Congressional authorization to help counter this threat. I say again that this matter is of vital and immediate importance to the nation's and the free world's security and peace. By our proposed programs in the Middle East, we hope to assist in establishing a climate in which constructive and long-term solutions to basic problems of the area may be sought.

From time to time, there will be presented to the Congress requests for other legislation in the broad field of international affairs. All requests will reflect the steadfast purpose of this Administration to pursue peace, based on justice. Although in some cases details will be new, the underlying purpose and objectives will remain the same.

All proposals made by the Administration in this field are based on the free world's unity. This unity may not be immediately obvious unless we examine link by link the chain of relationships that binds us to every area and to every nation. In spirit the free world is one because its peoples uphold the right of independent existence for all nations. I have already alluded to their economic interdependence. But their interdependence extends also into the field of security.

First of all, no reasonable man will question the absolute need for our American neighbors to be prosperous and secure. Their security and prosperity are inextricably bound to our own. And we are, of course, already joined with these neighbors by historic pledges.

Again, no reasonable man will deny that the freedom and prosperity and security of Western Europe are vital to our own prosperity and security. If the institutions, the skills, the manpower of its peoples were to fall under the domination of an aggressive imperialism, the violent change in the balance of world power and in the pattern of world commerce could not be fully compensated for by any American measures, military or economic.

But these people, whose economic strength is largely dependent on free and uninterrupted movement of oil from the Middle East, cannot prosper — indeed, their economies would be severely impaired — should that area be controlled by an enemy and the movement of oil be subject to its decisions.

Next, to the Eastward, are Asiatic and Far Eastern peoples, recently returned to independent control of their own affairs or now emerging into sovereign statehood. Their potential strength constitutes new assurance for stability and peace in the world—if they can retain their independence. Should they lose freedom and be dominated by an aggressor, the world-wide effects would imperil the security of the free world.

In short, the world has so shrunk that all free nations are our neighbors. Without cooperative neighbors, the United States cannot maintain its own security and welfare, because:

First, America's vital interests are world-wide, embracing both hemispheres and every continent.

Second, we have community of interest with every nation in the free world.

Third, interdependence of interests requires a decent respect for the rights and the peace of all peoples.

These principles motivate our actions within the United Nations. There, before all the world, by our loyalty to them, by our practice of them, let us strive to set a standard to which all who seek justice and who hunger for peace can rally.

May we at home, here at the Seat of Government, in all the cities and towns and farmlands of America, support these principles in a personal effort of dedication. Thereby each of us can help establish a secure world order in which opportunity for freedom and justice will be more widespread, and in which the resources now dissipated on the armaments of war can be released for the life and growth of all humanity.

When our forefathers prepared the immortal document that proclaimed our independence, they asserted that every individual is endowed by his Creator with certain inalienable rights. As we gaze back through history to that date, it is clear that our nation has striven to live up to this declaration, applying it to nations as well as to individuals.

Dedicated to Peace

Today we proudly assert that the Government of the United States is still committed to this concept, both in its activities at home and abroad.

The purpose is Divine; the implementation is human.

Our country and its government have made mistakes—human mistakes. They have been of the head—not of the heart. And it is still true that the great concept of the dignity of all men, alike created in the image of the Almighty, has been the compass by which we have tried and are trying to steer our course.

So long as we continue by its guidance, there will be true progress in human affairs, both among ourselves and among those with whom we deal.

To achieve a more perfect fidelity to it, I submit, is a worthy ambition as we meet together in these first days of this, the first session of the 85th Congress.

DWIGHT D. EISENHOWER,
The White House,
Jan. 10, 1957.

With Haseltine, Gilbert

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Canute M. Johnson is now with Haseltine, Gilbert & Wilson, Inc., 108 South Ninth Street.

R. H. Sigesmund Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Raymond Sigesmund is engaging in a securities business from offices at 2162 South Beverly Glen Boulevard.

Joins Sterling Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lewis T. Emond has joined the staff of Sterling Securities Co., 714 South Spring Street.

Wth F. J. Winckler

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harrison Bird, Jr. is with F. J. Winckler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

NATIONAL BANK
OF DETROIT

STATEMENT OF CONDITION, DECEMBER 31, 1956

RESOURCES

Cash on Hand and Due from Other Banks		$ 417,375,487.10
United States Government Securities		698,873,563.19
Other Securities		147,527,816.33
Loans:		
Loans and Discounts	$ 588,197,761.35	
Real Estate Mortgages	134,088,254.53	722,286,015.88
Accrued Income and Other Resources		7,103,468.68
Bank Premises		13,365,671.67
Customers' Liability—Acceptances and Credits		2,092,006.55
		$2,008,624,029.40

LIABILITIES

Deposits:		
Commercial, Bank and Savings	$1,711,824,038.81	
United States Government	88,410,709.85	
Other Public Funds	54,017,753.34	$1,854,252,502.00
Accrued Expenses and Other Liabilities		17,171,044.67
Acceptances and Letters of Credit		2,092,006.55
Capital Funds:		
Common Stock ($10.00 par value)	$ 28,974,000.00	
Surplus	90,000,000.00	
Undivided Profits	16,134,476.18	135,108,476.18
		$2,008,624,029.40

United States Government Securities carried at $179,856,881.30 in the foregoing statement are pledged to secure public deposits, including deposits of $16,808,668.88 of the Treasurer, State of Michigan, and for other purposes required by law.

BOARD OF DIRECTORS

Howard C. Baldwin	Harlow H. Curtice	B. E. Hutchinson	Nate S. Shapero
Henry T. Bodman	William M. Day	Ben R. Marsh	R. Perry Shorts
Robert J. Bowman	Charles T. Fisher	Ralph T. McElvenny	Donald F. Valley
Prentiss M. Brown	Charles T. Fisher, Jr.	John N. McLucas	Ben E. Young
John S. Coleman	John B. Ford	W. Dean Robinson	

56 Neighborhood Offices serving Detroit and Suburbs

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Akron, Ohio, and Lake Charles, La., from the government in April, 1955, with a combined annual capacity of 130,000 tons.

Within a few months, the capacity of the same two plants will be 230,000 tons a year. During 1956 construction began on a new plant at Orange, Texas, to produce annually 40,000 tons of butadiene, one of the principal ingredients of synthetic rubber.

In the past year, Firestone established a factory at Magnolia, Ark., for the manufacture of coated fabric items such as lifeboats, collapsible rubber tanks, lifting bags for airplanes and gasoline tanks.

Modernization programs to install new machinery and expand production facilities of our company were carried out at Memphis, Los Angeles, Akron, DesMoines and Pottstown (Pennsylvania); construction of new plants began in Cuba and the Philippines.

Firestone invested a record $58,700,000 in new plants, modern production facilities and expansions during its fiscal year which ended Oct. 31.

During the calendar year of 1956 an estimated $180,000,000 will be spent by the rubber industry in the United States alone for expansion.

This amount was well ahead of the $150,000,000 spent for expansion in 1955 and the $131,000,000 in 1954.

Firestone's world-wide capital expenditure program has grown steadily in recent years. In 1951 it spent $36,581,000; in 1952, $42,952,000; in 1953, $43,680,000; in 1954, $43,693,000, and in 1955, $55,723,000.

In this expansion Firestone's capacity for passenger car, truck, tractorand earthmover tires, foam rubber, steel products, velon plastic fibers and basic resins for plastics, and industrial products items was substantially increased.

Firestone continued its activity in manufacturing, research and development of defense items. It produced scores of items including guided missiles, recoilless rifles, artillery shells and recoilles rifle ammunition.

Its international activities increased with the adoption of plans for a 3,000-acre rubber plantation in Brazil and the start of construction of a new synthetic rubber plant in England.

DeCOURSEY FALES

Chairman of the Board, The Bank for Savings, New York City

From the savings bank viewpoint, 1957 should again be a very satisfactory year. There should be full employment and the total disposable income of individuals could slightly exceed the level of 1956. This, of course, means that savings should remain at about the same high levels that were experienced in 1956. It also means that consumer spending will be at high levels. The sums available for this spending will come not only from consumers' incomes, but also from consumer borrowings, but it is not expected that installment lending will experience any abnormal increase during the coming year. Department store sales, clothing, home appliances, automobiles should also all have a very satisfactory year. Bolstering this viewpoint is the fact that our farm population will experience a somewhat increasing level of income. The construction industry, while not breaking any records during the coming year, should experience a very high level of activity. Housing starts are expected to be in the neighborhood of 1,000,000. Private and public construction of new plants and equipment will be at better than average levels. Road building will have a stimulating effect as well.

DeCoursey Fales

The effect of the foreign situation will be to continue high military expenditures and to remove all hopes this year of any tax reduction. However, it may develop that by July 1, the foreign situation will have settled down where world trade will once again approach a more nearly normal level. Nevertheless, local and foreign developments seem to indicate a continuation of the gradual inflationary cycle which has succeeded the rapid inflationary period brought about by the war. We can expect the Administration to use strong efforts to hold this inflationary trend to a minimum and we can look forward to governmental policies aimed at maintaining a sound currency. Interest rates, therefore, can not be expected to fluctuate very widely over the coming year.

Pressure upon the government to increase the rate of interest permitted on mortgage loans guaranteed by the Veterans Administration may result in a rate of 5%. Even at this figure, such mortgage loans are very likely to be under the going market rate. There should be ample funds to take care of all the necessary housing required by the public. It also seems likely that all worthwhile needs for money will be met during the year.

In the background of all economic considerations, lies the fact that the tremendous increase in the birth rate beginning with the war years will require a huge expansion in our entire economy to take care of the normal living requirements of the increased adult population that will exist beginning in the early 1960's.

The existence of so many favorable factors would seem to make it almost inevitable that 1957 will be a successful year.

GEORGE F. FERRIS

President, Raymond Concrete Pile Company

Every indication points to a continuation into 1957 of the high volume of construction work that we have experienced in 1956. Certainly, present backlogs, which are at the highest level in history, will carry into the New Year an unprecedented volume of going work.

George F. Ferris

Furthermore, a spot check of several of the larger industrial firms indicates that appropriations for new plant and equipment will be comparable with 1956. The demand also remains strong for new construction for public utilities and all kinds of private institutions.

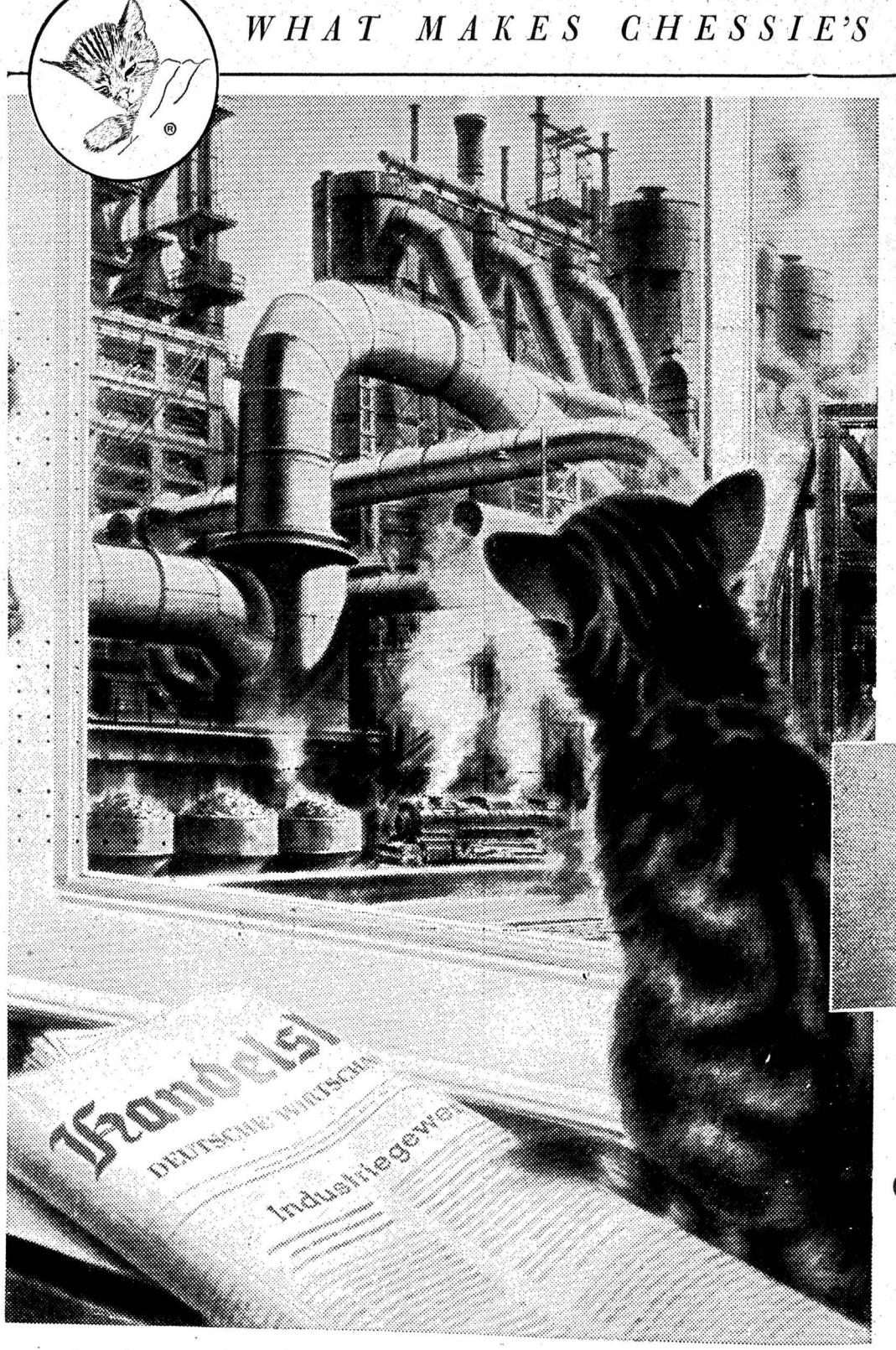
Although there will be a falling off in some types of construction, such as shopping centers, toll roads, and possibly private dwellings, this will be more than offset by the increased spending on the Federal Aid Highway Program and other governmental programs.

Our forecasts, based on regional reports from 17 of our District Offices, indicate that in all but two areas 1957 will equal or exceed 1956 in total volume of construction.

Another indicator of the future volume of construction is the activity of our Soils Investigation Division. For several decades we have found that the volume trend of this division is a most reliable guide to the future trend of construction. This is a natural correlation since the present-day architect engineer starts his services to clients who are planning construction with borings and soils analyses of alternate sites and determination of foundation requirements. Currently, our Soils Division is operating at new high levels which probably indicates an expanding construction volume over the next two years.

Although I believe that construction in the first six months of 1957 should exceed the same period in 1956, I also believe the latter part of 1957 will see some easing off. This will come about by unwillingness of the larger corporations to use their credit at present or higher interest rates on additional long-term financing beyond that already committed. Also, it seems logical that a breathing spell is due to give industry time to put the newly expanded facilities to work and check the results against anticipated returns. Once this has been done and the demand for capital and consumer goods remains on the increase, as can be expected in our expanding economy, I believe another round of expansion will be planned. This, however, will be too late in 1957 to be a factor in that year's volume.

In summary, I believe the first six months of 1957 will exceed 1956 by about 5% and that the last six months will fall behind about the same proportion or perhaps a little more. This should result in 1957 being the second largest year for construction; certainly not greatly different from 1956.



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ROBERT H. FITE

President and General Manager, Florida Power and Light Company

The increase of industrial expansion in Florida is adding a new impetus to the state's rapidly expanding economy creating new demands for permanent housing. Only nine states gained more new jobs in manufacturing employment than did Florida for the period of 1947-54, according to the U. S. Census of Manufacturers.

For the five seven months of 1956, there were 37,000 new dwelling units started, according to latest available figures.

This was an increase of 6% over the same period of 1955 and placed Florida as one of only two states in the nation reporting increases.

The nation as a whole was off 18%. Percentage-wise, Florida stood second in the nation, with a 56% increase in manufacturing employment. Only Kansas, with the rapid growth of aviation there, topped it with a 69% increase. The Greater Miami are aaccounted for about a third of Florida's 44,235 manufacturing job increase. In manufacturing employment has been even greater. Comparing August, 1956, with August, 1954 — the period marked by Governor Collins' aggressive promotion of Florida's industrial development—the state has gained another 13,900 jobs in manufacturing employment.

Agriculture and tourism also pushed to new highs durmer tourist business may soon rival the winter season. ing 1956 and the outlook for 1957 is even better. Sum-Measured in terms of general business activity (bank debits Greater Miami), it was up 15½% compared with 1955. More than double the substantial 12% gain chalked up during the winter season.

These and other "straws in the wind" add up to an outlook for record-breaking expansion on the part of Florida Power and Light Company.

In the past three years, FP&L has already increased its generating capability 56%, pushing it to 1,000,000 kilowatts. Already the addition of four new generators is under way, which will boost it 64,000 kilowatts—an increase of 64% in the next three years.

The company's construction outlook for 1957 indicates a $66,000,000 expenditure compared with $42,500,000 in 1956, which in itself was a record-breaking expansion program.

Our long-range, 10-year expansion outlook, ending with 1961, now totals $496,000,000. Originally estimated for $332,000,000 at the beginning of 1952, this represents an increase of $164,000,000 as we have had to raise our sights in planning ahead for the state's rapid growth.

C. J. FITZPATRICK

President, Chicago and North Western Railway System

The business outlook for 1957 is good, particularly for the first six months, during which period business generally could run above the same period of 1956. Business leaders in many industries express their confidence for continuing good business and in some cases even slight expansion for the future, particularly for the first half of this year. With this optimistic outlook on the part of so many industries and with the indicated continued increase in capital investment for plant and equipment, we are looking forward to a continued expanded production of materials and industrial activity.

C. J. Fitzpatrick

There were certain disturbing factors in 1956 which had their effect upon the rail industry, and in particular upon our company. These were market conditions and prices which were not altogether favorable for the movement of farm products, drought in certain grain producing areas, and the steel strike.

Grain and grain products afford an important part of our revenues, and with a more favorable situation anticipated in 1957 this alone should be helpful to us through at least the first six months of this year. Grain releases already are assuming sizable proportions, and if maintained will have a very beneficial effect upon our revenues.

Industrial production is expected to continue at a high level through the first six months of this year. It is expected that the steel industry will continue at a high level, particularly during the first six months, and this should prove favorable to us as compared to 1956 with its strike period. Iron ore is one of our major commodities, and because of the steel strike in 1956 our iron ore traffic declined. With conditions stabilized within the steel industry for 1957 and because of the anticipated upturn in steel production, we expect an increase in our iron ore tonnage. Automobile production is expected to be second only to the banner year of 1955, and for this reason we look forward to an improved movement of automobiles and automobile parts.

While I expect a high traffic volume in the railroad industry for 1957, particularly during the first six months, there could be some softening during the third and fourth quarters. However, the over-all volume of business for 1957 should be good and could be even better if events of the first six months should indicate clearly that there will be no softening during the latter half of the year.

To keep pace with industrial activity we have and are continuing to mechanize, modernize and streamline our operations in order that we might render the finest transportation service possible. We are today completely dieselized, and are now in the process of constructing one of the most modern completely enclosed car shops known to the industry capable of making heavy repairs to 7,000 freight cars and the construction of 1,000 new cars annually. Also, we have just recently substantially increased our fleet of box cars and gondolas, and anticipate the acquisition of additional freight and passenger equipment. All of these major steps being taken on our system lines reflect our confidence in 1957 and in the continued economic growth and stability of American Business.

SAM. M. FLEMING

President, Third National Bank, Nashville

It now appears rather certain that the momentum of prosperous 1956 will carry over into 1957. Estimates for defense and governmental spending at all levels are substantially higher, as are estimates for both consumer and capital spending by business. During the year, the Federal Highway Program also will begin to gain momentum. With the economy operating close to capacity and inflationary tendencies continuing to exist, the Federal Reserve authorities undoubtedly will continue a credit restraint policy, and properly so. This policy at present is still the best and perhaps the only hedge against a wage-price spiral getting out of hand.

Sam M. Fleming

Higher interest rates and aggressive savings programs should attract more personal savings, and there will be some funds available from liquidation of existing loans, particularly in the consumer finance field and from sources which used bank funds temporarily in 1956 in anticipation of obtaining long term financing at a later date. However, it is apparent that 20-odd billion dollars personal savings plus some $12 billion surplus accumulation in business will not be sufficient to meet all credit needs, and banks cannot expand their loan totals to business by another 17% as they did in 1956. In fact, the current high loan level in banks with the accompanying reduced holdings of government bonds will to a large extent confine new bank loans to levels regulated by increased deposits or loan repayments. It is, therefore, apparent other sources of funds will have to be made available if a further credit squeeze is not to be expected. The

Continued on page 72

RAILROAD GROW? *One of a series telling what Chesapeake and Ohio is doing to make this a bigger, better railroad.*

Fuel for the fires of Europe

Today American coal shippers are literally "carrying coals to Newcastle." The great coal-shipping ports of Europe that once supplied so much of the world's fuel have now reversed the flow—the coal is going in, not coming out.

No longer able to supply even its own needs, Europe is becoming increasingly dependent on America's vast reserves, especially for metallurgical coal to make good steel and for quality domestic grades. Last year's export of coal was over 47 million tons—more than double the average of the last ten years—and there is every reason to believe the trend will be upward for years to come.

The recently completed additions to Chesapeake and Ohio's great yards and coal docks at Newport News on Hampton Roads, Virginia, increase their capacity to more than 30 million tons a year.

To move this vast tonnage down to the sea, and at the same time serve American coal users, C&O is building $50 million worth of new hopper cars. Of its present fleet of 62,500 coal cars, over 99% are available for use at all times.

More ships are also needed, and to provide these C&O has joined with the other two coal-carrying railroads, the miner's union, and a group of mine operators in the formation of American Coal Shipping, Inc. Already 30 vessels have been chartered and negotiations are under way for 70 more, 20 of them by an affiliate, the Bull Steamship Co.

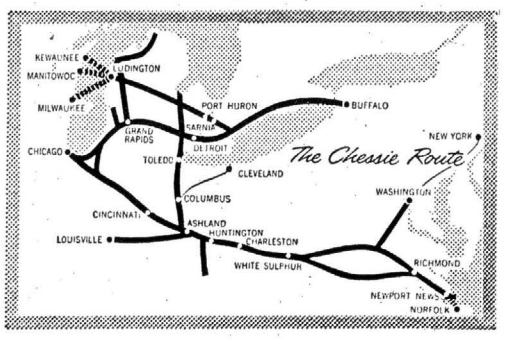
While C&O's operations have been broadened, and its traffic greatly diversified over the past few years, coal continues an important factor. And the current revival of the coal industry is one more reason why Chessie keeps growing and going.

For expanding exports, C&O has just completed a $3 million addition (A) to its Newport News coal docks.

Would you like a portfolio of pictures of Chessie and her family? Write to:

Chesapeake and Ohio Railway

3809 TERMINAL TOWER, CLEVELAND 1, OHIO



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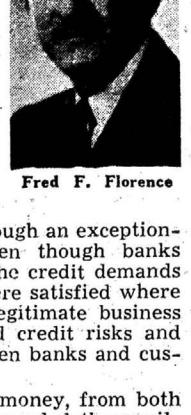
Continued from page 71

spot light will be focused more on the availability and price of credit rather than the factors which are continuing to support the economy at a very high level.

FRED F. FLORENCE

President, Republic National Bank of Dallas, Texas

The year 1956 was satisfactory for American business generally, and during that period several new records were established. Gross National Product (total output of goods and services), capital expenditures for plant and equipment, total employment, salaries and wages, personal incomes, and the value of all construction contracts awarded, reached new peaks. These records were achieved in spite of moderate declines in automobile production and residential construction, and interruptions in production due to labor disturbances. Total production would have increased even more, except for the relative scarcity of manpower and materials.



Fred F. Florence

Gross earnings were higher generally, but the increased cost of doing business reduced net earnings in some cases. The high level of business activity and increased prices were reflected in banking, notably through an exceptionally strong demand for credit. Even though banks screened loan applications carefully, the credit demands of customers, both large and small, were satisfied where funds were needed for normal and legitimate business purposes, where applicants were good credit risks and where satisfactory relationships between banks and customers had been established.

The abnormally strong demand for money, from both private and public sources, greatly exceeded the available supply. Also, the accumulated savings of the country were inadequate to provide the long-term credit needed to finance the large volume of mortgage loans and the capital expenditures of business and governmental bodies. The natural result was an increase in interest rates. This development brought forth some criticism and expressions of concern based on fears that business might be seriously disrupted; but as business continued to be good, many critics, although not all, began to realize that the increased cost of money and a decline in the availability of funds, are natural reflections of prosperity, which results from a high level of business activity.

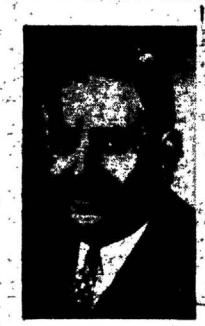
The economic outlook for 1957 appears promising, barring grave military and economic international developments. If government expenditures for security and other purposes, including the highway building and improvement program, are as large as forecast; if capital expenditures of business for plant expansion and modernization are greater than in 1956, and if residential and non-residential construction continues at about the same level as in 1956, all of which seems likely, it may reasonably be assumed that the nation's labor force will remain fully employed at very high wages; that the total demand for goods and services will be strong in spite of increased prices, and that the total volume of business activity will continue at the present high level, or even rise slightly. With these developments in prospect, workers will doubtless feel confident of continued employment, and consumers will probably continue to spend freely out of current income and be inclined to use their credit, if necessary. These factors point to a continuing strong demand for bank credit and emphasize the need for strong and alert bank management, as well as the need of banks to maintain and strengthen their capital positions. With good management and adequate and solid capital structures, banks are in position to operate aggressively and constructively, and to serve their customers satisfactorily. These observations are made because competition is likely to be the keynote of the year among banks and all other business institutions.

The continuation of good business conditions and of a satisfactory rate of economic growth in this country will depend largely upon the exercise of a high degree of statesmanship by our business and financial leaders in 1957.

FRANK M. FOLSOM

President, Radio Corporation of America

Changing sales and distribution patterns in American marketing—strongly apparent in 1956 in the highly competitive radio-television and electronics industry—will continue into 1957 and will represent a major factor in providing opportunities to increase business volume.



Frank M. Folsom

The shift in selling, largely at the dealers' level, features greater concentration on brand-name merchandise to build business and create new customers. The question—"What's in a Name?" — is being answered convincingly and repeatedly by increased sales volume of well known brands, distinguished for quality, dependability and service.

The American public's faith in brand name products and in advertising will remain firm and unshakeable just as long as they stand the test of experience, that they are as good as we say they are. Quality and value — these are the cornerstones upon which brand name products firmly rest. The brand name products we manufacture today have a heritage that in most instances goes beyond our own span of years. As manufacturers we are entrusted with the responsibility of maintaining and advancing that product heritage.

These trends had a marked effect on merchandising in 1956 — a business year in which sales volume for the electronics industry as a whole established an all-time record of more than $11.3 billion.

Television

Steadily and progressively, color TV is taking hold. We continuously note increased interest in color on the part of the public, dealers, competitive manufacturers, broadcasters and sponsors. Color television sales are on the increase in many of our markets. More and more dealers are enthusiastically and aggressively behind color as one of the newest, most promising items to be sold.

Color quality is excellent. Owners of color sets are highly pleased with their purchase and with the increasing amount of color programming. An extensive survey of color TV set owners confirms this fact.

Phonograph Records

The phonograph record business is on the ascendancy, with strong indications that its growth will continue. Four main factors are responsible for this:

More families are seeking home entertainment.

The teen-age population, comprising millions of record fans, is rising sharply.

More "Victrola" phonographs are being sold as the "45" record-player, the 3-speed line and high fidelity (hi-fi) continue to boom.

Retail outlets for records are expanding.

RCA Victor's record sales for 1956 increased sharply over 1955; the increases were scored in every classification of music. Elvis Presley — the fastest selling record star in history, alone, is responsible for sales of more than 11,000,000 single RCA Victor records in less than a year.

Radios and "Victrola" Phonographs

Sales and profits of radios, "Victrola" phonographs and tape recorders made a marked gain in 1956. The expanding use of transistors in radio sets provides a base for continued interest on the part of the consumer for the purchase of new radios. RCA Victor's introduction of high-performance, low-cost, transistor radios provides for a depth of penetration in the market never before possible.

In 1956, RCA Victor more than doubled the number of high fidelity instruments sold during 1955. Our sights are set on 1957 for a similar increase. In addition, the tape recorder field represents a new and growing business.

Outlook

Based upon an analysis of basic economic indicators, the RCA Economic Planning Department forecasts the economic outlook for 1957 as *favorable*, assuming, of course, that the United States will not become involved in war.

ALBERT E. FORSTER

Chairman of the Board and President
Hercules Powder Company

The general business outlook for 1957 is favorable in spite of the continued tendency toward higher money rates. Production of chemicals and allied products in 1957 should reach another new all-time high for the eighth successive year. The gain in 1957 should approximate the increase of about 6% that took place in 1956. That is, unless the shortage of dollar balances of European countries that has resulted from the Suez crisis brings about an extensive drop in chemical exports to the Continent, or if other serious international complications arise.

A. E. Forster

The chemical industry thrives under favorable business conditions. Slight recessions in general business usually mean merely a temporary slowing down of the rate of growth of the industry.

Industrial production is expected to show an increase in 1957 about equal to the 3% gain of last year. The rise in average industrial production in 1957 over current levels, however, is likely to be moderate. Steel capacity is not large enough to permit a significant increase in steel production above the current rate.

Federal, state, and local expenditures are expected to replace capital expenditures in 1957 as the most important element in the business picture. Capital expenditures probably will move sidewise during 1957 at about the current high level. While there will be a gain in capital expenditures in 1957 as a whole over those of 1956, the increase will be about half of that which took place in 1956. In contrast, total governmental expenditures in 1957 may show almost twice the gain that took place in 1956.

The 1957 outlook for most of the industries that are served directly or indirectly by Hercules is favorable. The production of passenger cars, cement, most synthetic textiles, and bituminous coal, along with road building and quarrying, probably will increase to a greater extent than over-all industrial production in 1957. The gain in paper production, however, is likely to fall short of the rise that took place in 1956. Increases are expected also in paint, varnish, and lacquer production, in ore mining, and in plastics in 1957.

Although the rise in industrial production in 1957 is not likely to be substantial, the increase, however, should almost equal the past annual long-term rate of growth. The outlook is not uniformly favorable. Residential construction may show a further decline. While the continued tendency toward higher interest rates has caused businessmen to become more cautious, the higher rates seem to be preventing the creation of marked excesses in the business picture that might bring about a downturn later.

FRED C. FOY

President, Koppers Company, Inc.

Koppers Company, Inc. will invest between $100,000,000 and $125,000,000 in new plants and equipment within the next five years with about two-thirds of all capital expenditures earmarked for programs which assure the company's continued growth in the chemical industry.

Fred C. Foy

This is an extension of Koppers previously announced plans for a five-year expansion program which was launched in 1955. In 1956 capital expenditures were about $21,000,000 of which approximately 70% was for programs of the Chemical and Tar Products Divisions — the divisions which produce and sell chemicals.

Expansion During 1956

Developments in research have been a major factor in Koppers current expansion in the chemical field. In 1956 alone, Koppers:

(a) Completed construction and began the operation of a new development laboratory at Kobuta, Pa., where new products are tested, new applications of existing products are developed, and technical assistance is given to customers on various application problems.

(b) Began construction of a new commercial-size plant at the Kobuta operations for the production of expandable polystyrene beads.

(c) At Port Reading, N. J., started construction of a new low-pressure polyethylene plant with an annual capacity of 30,000,000 pounds. This plant is now 25% complete.

(d) Arranged for the construction of a similar low-pressure polyethylene plant to be built near Los Angeles, Calif., to be owned equally by Koppers and Brea Chemicals, a subsidiary of Union Oil Company.

(e) Started to build at Arroyo, W. Va., a plant for the production of nicotinic acid to be operated by the Tar Products Division. While not large in size, the plant will be capable of producing about one-fourth of the nation's requirement for this vitamin component.

(f) Also at Arroyo, began construction on a semi-commercial plant for the development and manufacture of high-boiling chemicals from coal tars, some of which have not been recovered in quantity heretofore.

Other Highlights in 1956

During 1956 an International Division was established to handle Koppers foreign investments and the product sales outside the United States of its manufacturing divisions. Some of Koppers interests in foreign countries, owned jointly by the Company and foreign associates, include polystyrene and styrene monomer plants in Brazil and a limited interest in a steel plant in Chile. Under construction are two other plants to be owned jointly by Koppers and foreign associates—a polystyrene plant in Argentina and a wood preserving plant in Guatemala. Currently, the Engineering and Construction Division is carrying on important construction projects in Italy and Spain.

To keep pace with its research and development program, which is expected to triple within the next 10 years, the company announced plans to build a $9,000,000 research center on a 176-acre tract of land near Monroeville. The new facilities will replace the center at Verona, Pa., which the Company has outgrown. In 1957, construction will begin on the first building—a chemical laboratory. To provide for an uninterrupted research program, Verona personnel and any new employees will be moved into the new accommodations as each facility is completed. Transfer of all Verona employees will be gradual.

Diversification Marks Koppers Growth

In the past 10 years Koppers has been engaged in a program of diversification. In 1956, more than $75,000,000 of the Company's total sales were in products and services which the Company did not offer industry a decade ago.

Most of the new products and services are offered by the Chemical, Metal Products and Engineering and Construction Divisions. Based on 1956 sales estimates, the Company sold about $42,000,000 worth of chemical products it did not have 10 years ago — principally polystyrene, polyethylene, resorcinol, resins, antioxidants, anilines and dyes. About $13,000,000 worth of products manufactured by the Metal Products Division were sold in 1956 which were not made by the division 10 years ago — mainly gas cleaning equipment, box-making machinery, industrial sound control equipment and other heavy industrial products. The Engineering and Construction Division sold approximately $19,000,000 worth of services in 1956 that it did not offer industry before 1946, such as the design and construction of open hearth furnaces, chemical plants, blast furnaces and sintering plants. Total Engineering and Construc-

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tion Division sales were approximately $70,000,000 in 1956—nearly double the figure for 1955.

At the beginning of 1957 the Company had an order backlog of approximately $137,000,000 of which more than $100,000,000 was in the Engineering and Construction Division. By the very nature of Koppers business, large backlogs are not maintained in its manufacturing divisions.

A. D. R. FRASER

President, Rome Cable Corporation

Like the electrical manufacturing industry, in 1956 we had the greatest production volume in our 20-year history. Commerce Secretary Weeks' year-end statement on prospects for 1957 well sums up our viewpoint. It said that the outlook for 1957 is bright but prosperity is not automatic.

A. D. R. Fraser

We started the past year with both copper and aluminum in short supply and copper reaching the historically high world price of 55 cents in March. It is now 36 cents per pound and supplies of both copper and aluminum are adequate.

A great number of companies having three year labor contracts should assure a longer period of labor peace.

Our industry serves utilities, electrical manufacturing, construction, mining, oil, chemical, automobile, airplane, communications, railroads, as well as government. Almost without exception difference in predictions for 1957 is the amount of increase. Preliminary survey of utility expenditures made by McGraw-Hill estimate increases as high as 20%. Estimates for new plant and equipment are up as high as 11%. New housing starts may be down but size of homes is increasing due to population and income increases. Coupling this with commercial, industrial and public construction plans, over-all construction should be higher. Coal mining industry improvement will have its effects. Recent world events are going to add 10% to government defense spending. The automobile, airplane industries are scheduling higher production levels. Railroad equipment backlogs are heavy. The Middle East situation will require further increases in the oil industry and chemical programs are up.

Improvement in living standards with rewiring of most homes over five years old to provide increased power for many new electrical appliances necessary to modern living provides an increasing market. The slogan of the campaign "Live Better Electrically" is catching on apace.

Gross national product and consumer spending are estimated to be up 4 to 5%.

Other factors must be recognized which can be progress deterrents. Inflation continues with the annual hypodermic of wage increases. Price increases are generally not sufficient to offset the rising costs, and increased productivity from better mechanization and labor efficiency has not kept pace with added costs. Foreign competition is increasing in many industries.

The tight money market has deferred some capital expenditures. Growing need for municipal and state services for schools, hospitals, roads and public buildings which has mushroomed their taxation programs is another significant cost factor. Excessive taxation deprives companies and higher income individuals of "Seed money." A more realistic approach to depreciation by recognizing replacement costs could help finance progress.

All of the above will put additional strains on the profit picture and mean narrowing of margins for many industries.

For our own industry we expect that certain of the adverse factors prevalent in late 1956 will continue for early 1957 and could well make production levels and profits below the same period in 1956, but for the year we look for one of accelerated progress in the utilization of electrical wires and cables.

D. V. FRASER

President, Missouri-Kansas-Texas Railroad Co.

The ruling factor in the economic outlook in much of the Southwest for 1957 is the amount of rainfall and winter and spring months bring to this drought-ridden area. Large areas of Texas and Oklahoma have suffered their sixth and seventh consecutive year of severe drought and this has had an increasingly retardant effect upon an otherwise promising economy.

D. V. Fraser

Latest reports, however, indicated improvement in the farm-ranch economy as a result of recent general rains. The Department of Agriculture said winter range and pasture feed prospects were changed from hopeless to very hopeful and crop prospects were brightened.

Except for the uncertainty in the agricultural picture, I feel that the Southwest generally will improve its position in the national economy during the year ahead. The pace of industrialization has shown no tendency to slacken and I look for some acceleration of this trend during 1957 as industrial investment for plant and equipment on a national scale promises to set a new record. Heavy construction, especially in the public fields of highways and schools, should offset any temporary lull in home building.

For the Katy Railroad, the 1957 outlook is clouded by the uncertainty of agricultural conditions. A good or bad crop year can make a substantial difference in our program. However, Katy expansion and improvement plans will keep in step with industrial demands in our territory.

C. KENNETH FULLER

Chairman of the Board,
County Bank and Trust Company, Paterson, N. J.

As we enter the New Year, the outlook for commerce and industry in the Southern Passaic County area is one of cautious optimism. The trend for the first half-year seems rather well assured, but as for the second half, we may well experience some change in spite of the generally favorable outlook. It is evident, however, that the year will be one of widely diverging results for different industries and even of varying results for different companies within the same industry.

C. Kenneth Fuller

The textile situation continues to be a soft spot in the industrial activity of the area, and although cyclical patterns call for an improvement in 1957, present facts do not indicate any substantial recovery. Cotton seems to be in the best position with dyeing and finishing of synthetics in the least favorable.

The needle trades have not experienced a uniform pattern during the year, as some have enjoyed high activity and good profits, whereas others are operating under reduced volume and profits. The outlook for the ensuing year seems to indicate a continuation of these trends.

The transportation field (largely aviation in our age) shows evidence of increasing activity as does the machine tool industry, with an excellent backlog of orders although at a somewhat reduced level in most categories.

The electrical equipment and technical instrument companies, particularly those catering to defense, look forward to a particularly active year.

That section of the chemical industry catering to the textile trade has suffered from a decline in volume and reduced margins although an overall increase in price of 18% has been posted for February. Unfortunately, this, together with the increased fuel costs, is aggravating the problem of the textile industry itself because the low volume of demand has prevented it from increasing prices commensurate with increased costs.

The industrial rubber goods industry anticipates some improvement in operations and volume with employment and payrolls about the same as last year.

Television companies are suffering from over-production, high inventories, and severe price competition, with little likelihood of immediate improvement.

Electronics companies, on the other hand, are showing good volume, high employment, but at reduced profit margins.

The construction industry has been maintained at a high level in spite of some decline in residential building, the difference being more than made up in industrial expansion of large commercial establishments.

Retail sales overall have probably been slightly better than a year ago, although most of the increase may be due to higher prices. The actual volume of Christmas trade was not up to the expectations of the local merchants, and with inventories rather high and some indication of consumer resistance, it may well be that unit sales for the coming year will not improve over 1956.

Banking has enjoyed a very active year with a nominal increase in deposits, some increase in velocity, high loan demand and increased interest rates. If the general industrial picture follows the pattern which is now in evidence, it should enjoy another active year in 1957, although loan demand may not be quite as heavy throughout the year.

In summary, there seems to be evidence of a continuation of the "rolling adjustment" about which we have heard so much, namely, high activity in most lines with reduced volume in a few. However, it is quite possible that the "roll" may be less easily adjusted in the coming year, and we look forward to 1957 with a little more caution and reserve in optimism than in either of the past two years.

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Santa Fe

Ship and Travel Santa Fe
"All the Way!"

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Continued from page 73

FRANK FREIMANN

President, The Magnavox Company

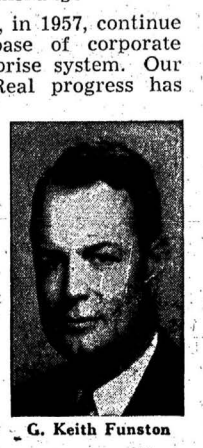
Frank Freimann

Our own business has been increasing year by year regardless of industry conditions. This is typified by our performance in 1956 with sales and earnings way ahead when the industry as a whole has experienced a decline. I believe that our own Magnavox business in the coming calendar year will be at least 30% ahead of 1956, but I again would mention that our trends do not follow the industry pattern and probably will not in the coming year.

G. KEITH FUNSTON

President, New York Stock Exchange

The New York Stock Exchange will, in 1957, continue to work towards broadening the base of corporate ownership in the nation's free enterprise system. Our goal: a true People's Capitalism. Real progress has already been made. So much so that we discovered in 1956 that 8.6 million Americans, or one out of every 12 adults, owned shares in publicly-held corporations. This, according to our recent **Census of Shareowners**, represents a healthy increase of 33% over four years ago when the first such Census was made. And when you couple these investors with shareowners in private corporations, the nation's stockholder family tops the 10 million mark.



G. Keith Funston

Significantly, 38% of the shareowners in public companies earn less than $5,000 a year. Almost two-thirds of them earn under $7,500. But we recognize, of course, that much remains to be done. In a nation of almost 170 million, we feel that many more people should own the country's productive facilities. And we realize that the combined efforts of the New York Stock Exchange and the entire financial community must be harnessed to spell out sound investment practices, and to dramatize the opportunities, risks and rewards of shareownership.

Accordingly, in 1957 we will continue to stress the need for study and planning before investing in stocks. We will continue to caution and counsel, especially the new investor. Our messages to the public will again make it clear that the value of securities, like that of any type of property, may go down as well as up. We will go right on making it crystal clear that a steady income, cash savings and protection against the unexpected must come before shareownership.

We will continue and intensify our efforts to expose the phonies and the get-rich-quick artists who are out to milk the American public of their dollars.

In 66 communities from coast to coast we have already set up Investor Information Committees. These groups, spearheaded by our Member Firm representatives, are effectively telling the shareownership story through speeches, films, the distribution of literature, adult education courses and work with schools and colleges. In 1957 we will intensify these efforts at the local level. Over the years we hope to expand the number of Member Firm representatives active in this program from 700 to about 2,000.

The Monthly Investment Plan, which puts shareownership within the practical reach of many more people by permitting them to buy stocks listed on the Exchange for as little as $40 a quarter, has gained increasing acceptance. In the almost three years since its origin more than 84,000 plans have been started. We intend to vigorously pursue plans to encourage more people to consider regular investments in American business through the MIP.

Information kits prepared for our Member Firms will continue to encourage the formation of investment clubs and we will steadfastly help develop a uniform code of standards for these clubs in the various states.

Similarly, our efforts to make the giving of stock gifts to children simple and easy, will be pushed. Some 13 states and the District of Columbia have already adopted a suggested model statute. We aim to encourage many more states to follow suit.

Our program to revise the capital gains tax and double tax on dividends, both of which are discouraging people from investing will also occupy much of our attention. In addition, the facilities of our Exchange Members available to serve the public will be broadened as effectively as possible.

Finally, our advertising messages, films, and publications will be used as creatively as possible to help people understand the opportunities for shareownership, and to help industry raise the billions of dollars in new money needed to finance the future on a sound basis.

This is the essence of a People's Capitalism.

ROBERT W. GALVIN

President, Motorola, Inc.

Mounting costs will make higher price levels for television receivers almost a certainty during 1957.

The extent of the price rises will depend on the degree of offsetting cost improvement each manufacturer can achieve meanwhile through added production mechanization, and indirect labor efficiencies.

Robert W. Galvin

In most cases, cost improvement programs which can be reflected in actual product pricing will require a year or two for maturity. Meanwhile, it can be expected that more of the smaller companies dependent on television will fall by the wayside.

Looking to 1957, Motorola's business, over-all, is projected to exceed 1956 moderately.

The company's television business is expected to share in the sales increase. Motorola has a better pace in television now. In 1956 the company lacked a strong program in portable television. In 1957 the pace will be improved by a good flow of portables. The industry total in TV units for 1957 might be down slightly from the 7,100,000 of 1956. Of this total 2,500,000 units are expected to be portables.

Motorola will feature the same television screen sizes in 1957 as in 1956. Color receivers will be produced at a moderate rate totaling in the thousands through the winter months. Color TV sales for the industry are not expected to reach the volume of a million units annually before 1958 at the earliest.

The differential in price between monochrome and color receivers is the main stumbling block to mass volume sales of color. There is nothing in prospect which would justify further reduction in the price of color.

The consumer radio business will continue good indefinitely. The first half of 1956 saw a sales increase of 38% over the previous year, and a further increase of 5 to 10% seems reasonable for the first half of 1957.

Car radios which Motorola supplies on contract to the Ford Motor Company, Chrysler Corp. and American Motors declined somewhat in 1956, as did the volume of automobile sales. With the automotive industry anticipating better sales in 1957, it is expected this phase of Motorola's business will show improvement.

The portable radio will continue in 1957 to be the most exciting consumer radio product. This is due partly to the fact that its mobility jibes with modern living, and partly because it enjoys many new functional and styling features such as transistors, plated circuitry, and antenna-in-the-handle.

Another bright aspect of consumer electronics is the popular interest which has developed in High Fidelity record players. The industry's business in this category will climb an estimated 20% the first half of 1957 over the 920,000 units sold in the like period of 1956.

In military electronics, the company is engaged in several new research and development projects which hold promising prospects for the future. Additional new manufacturing facilities are under construction in Phoenix, Arizona, and it is anticipated the company's employment for military activities will be increased by more than 1,000 persons in the first half of 1957.

EARL A. GARBER

President and General Manager, Harbison-Walker Refractories Company

For a sustained period ahead, there is every indication that the American economy is in a period of relatively rapid growth. The present capital expansion program ties in closely with this general business expectation. Durable goods and particularly the metallurgical industries are a key group involved in this period of growth in capital expansion. It so happens that these segments of the economy are also the primary customers of the refractories industry. In addition to high-level activity, the construction of new productive capacity means a high level of demand for refractory materials for both the new construction and for future additional replacement business. As might be expected, to supply this growing demand the refractories industry itself is in the midst of a program of expansion, modernization, and geographic diversification of its productive facilities.

Earl A. Garber

Technologic developments and improvement in consumers' productive facilities are bringing about constant changes in refractories materials. A general trend toward higher temperatures demands higher quality refractories. Expanding research by the refractories producers is also resulting in higher quality and new types of brick. One of the results of the application of higher quality material is either the extension of service life of refractories or higher furnace output, or in some instances both advantages are achieved. Although this often means that the life of furnace linings is extended, the total demand for refractories continues to grow due to the growth in the consuming industries as mentioned above.

The outlook for the period ahead of the major refractory consuming industries lends itself to one of optimism. The steel industry expects continued high level operations and plans further additions to productive facilities. The outlook for the nonferrous metals is good, especially for aluminum. The latter is in the midst of a major expansion program. The demand for cement particularly by the construction industry assures essentially capacity operations for a number of years into the future. This industry also, is in the midst of expanding. The outlook for other major refractories consumers, such as ceramics, glass, chemicals, and petroleum refining, is also one of high level operations.

The generally optimistic picture presented above is borne out in the large backlog of orders on hand which assure continued high level production of refractories.

CLARK R. GAMBLE

President, Brown Shoe Company

Looking ahead, the year 1957 will probably be another year of opportunity for the shoe industry. 1956 should be the highest year on record according to the National Shoe Manufacturers Association which estimates approximately 585,000,000 pairs were produced by the entire shoe industry. 577,000,000 pairs were manufactured in 1955.

Clark R. Gamble

With the general business outlook for 1957 predicated as very good for the first six months, and the last half leveling off, the slowly increasing per capita consumption rate of shoes should continue.

The nation's population trend is another most important factor influencing the shoe industry's progress for 1957. A total population increase of about 3,000,000 is anticipated in the coming year. This tremendous population growth means that all ages of the expanding population, being users of our product, from the youngest infant to the oldest adult, should enable the industry to exceed its 1956 production by about 2%.

FREDERICK V. GEIER

President, The Cincinnati Milling Machine Co.

For several decades the level of consumer spending was generally regarded as the key factor in our economy. Emphasis was also placed on the role of Government expenditure. Not until the past few years did the spotlight focus on the capital expenditures of business and industry. Now the level of activity in the producers' durable goods industries is being recognized as the dynamic factor in good times and economic growth.

Frederick V. Geier

In the United States during the past 30 years, population has grown 44%, but the number of machine tools at work has grown 150%. This has been a vital factor in the advancing standard of living.

The peacetime record level purchases of machine tools in 1956 were primarily for plant expansion purposes. In 1957 emphasis should shift to the replacement needs of American industry. The fact is that less than 40% of the machine tools in use can be classed as up-to-date, measured by current design and productivity standards. The 60% of out-of-date machines in use are costing industry over $1½ billion per year in excess production costs, compared to the new types now available. The cost squeeze evident in various industries points to the need for cost-cutting methods and machinery.

The machine tool industry begins 1957 with an order backlog averaging about six months. For the longer range, it has a large potential backlog of replacement business, as industry comes to recognize the cost savings available and as finances permit increasing investment in modern cost-reducing equipment.

LORING L. GELBACH

President, Central National Bank, Cleveland

1956 has been a good year for banking. With gross national product, personal income, employment, wages, retail sales, industrial production, capital investment, and standard of living rising to new highs, the demand for bank credit was strong throughout the year.

Loring L. Gelbach

The increase in capital expenditures for new plant and equipment created an unprecedented demand for long-term capital funds. The effect was inflationary in that the demand for funds out-paced savings. Recourse to the commercial banks for additional credit was a contributing factor making for a rise in the cost of living, higher interest rates, and for a tight money market.

The business outlook for 1957 is for further improvement in keeping with a high level of capital expenditures by general business.

With capital expenditures continuing at a level higher than in 1956, the demand for capital funds will continue to out-pace savings throughout most if not the entire year. As long as this situation continues, the Federal Reserve will be under increasing pressure to follow a policy of credit restraint. As the year progresses, the rate of increase in the money supply will become of increasing importance to the continuing growth of the economy. This is particularly true

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Tribute Paid to Alexander Hamilton

A bicentennial commemorative service was held at Trinity Church, Wall Street and Broadway, last Friday, Jan. 11, to honor the memory of Alexander Hamilton, the first Secretary of the Treasury.

Alexander Hamilton

Hamilton died on July 12, 1804 when he was killed by Aaron Burr in a duel on Weehawken Heights, New Jersey, and was buried in Trinity Churchyard on July 14, 1804. His grave is marked by the original monument erected by the vestry of Trinity Church following his death.

The Right Rev. Horace W. B. Donogan, Bishop of New York, delivered an address on "Alexander Hamilton, the Churchman." Albert C. Simmonds, Jr., President of the Bank of New York, 48 Wall Street, laid a memorial wreath on Hamilton's grave. Mr. Simmonds was joined in a solemn processional to Hamilton's grave by the clergy of the church, crucifer, and also acolytes. Alexander Hamilton, besides being one of the organizers of the Bank of New York, wrote its constitution and was a director from 1784 to 1788. He resigned from the bank to serve as the first Secretary of the Treasury in George Washington's Cabinet.

At 19 years of age, Hamilton joined Washington's Revolutionary forces, rising to the rank of Lieutenant-Colonel at 20 and becoming George Washington's Chief aide. He distinguished himself in several battles, notably when he led the assault on the outworks at Yorktown, Va.

Hamilton was born in the Island of Niers, West Indies, Jan. 11, 1757. Besides participating in the Revolution, his great work lay in his efforts to persuade the Americans to adopt the Federal Constitution, by which our national existence was firmly established. As the first Secretary of the Treasury, Hamilton held Congress firmly to the duty of paying every dollar of the national debt at face value. He also prevailed on Congress to adopt the debts incurred by the States in carrying on the war and to him more than any other man belonged the honor for establishing the credit of the nation.

To Hamilton's pen and versatility, we owe a major part of the famous Federalist papers in which he cogently expounded the Federal Constitution to the Colonials of his day in collaboration with James Madison and John Jay.

Judged by his achievements, Hamilton may be said to rank with the great men in American history like Washington, Jefferson, Lincoln and Benjamin Franklin.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Marylee D. Fraser has been added to the staff of Walston & Co., Inc., 901 Southwest Washington Street.

Joins Gardner Dalton

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Arthur L. Henningfield has become associated with Gardner F. Dalton & Company, 735 North Water Street.

Dale Hill Adds

(Special to THE FINANCIAL CHRONICLE)

PUEBLO, Colo. — Edwin K. McMartin has been added to the staff of Dale R. Hill and Company, 114 West Ninth Street.

Smith, Barney Group Underwrite Armco Steel Stock Offer

One of the largest offerings of common stock by an industrial company in recent years is being made by Armco Steel Corp. with the offering to its common stockholders of rights to subscribe for 1,088,179 additional shares of common stock (par $10) at $56 a share in the ratio of one additional share for each ten shares held of record Jan. 9. Subscription rights will expire at 3:30 p.m. (EST) on Jan. 24, 1957. The offering is being underwritten by a nationwide group headed by Smith, Barney & Co.

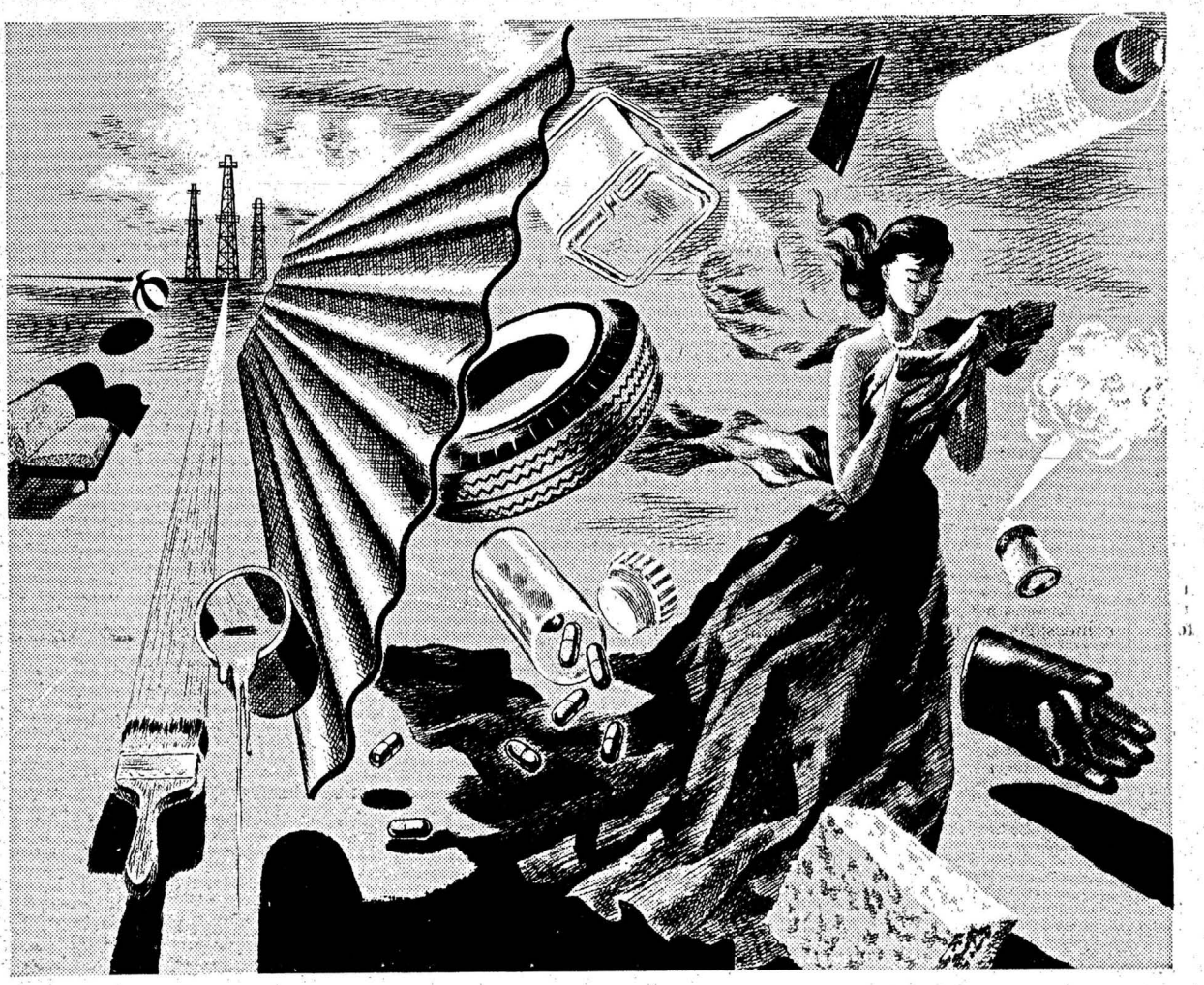
Armco Steel Corp. will add the net proceeds from the sale of the shares to its general funds, which, with such additional funds as may be required, will be used to defray the cost of its expansion program and for other purposes, including working capital. During the period 1955-1960 Armco and subsidiaries have made and expect to make major additions and improvements to their properties in order to meet the expected growth in the demand for steel and steel products, and to improve Armco's competitive position in the industry. All such additions and improvements have not yet been determined, but at the present time various projects have been approved estimated to cost $244,000,000 of which an estimated $64,000,000 has been spent to date. The additions and improvements already made or in process have increased Armco's steelmaking capacity from 4,950,000 net tons on Jan. 1, 1955 to 5,950,000 net tons on Jan. 1, 1957, and are expected to further increase capacity to 6,222,000 net tons by Jan. 1, 1958, an increase of 92.2% since the end of World War II.

Dividends of $2.55 a share were paid during 1956, including a dividend of 75 cents a share paid on Dec. 7 1956.

Sales of the corporation during the nine months ended Sept. 30, 1956 totaled $558,021,000 compared with $508,775,000 in the corresponding period of 1955 while net income amounted to $47,253,000 and $46,415,000, respectively, equal to $4.34 and $4.38 a share on the common shares outstanding at the end of the respective periods. For the full year 1955 sales were $692,683,000 and net income was $64,351,000, equivalent to $6.05 a share on the common shares outstanding on Dec. 31, 1955.

Forms Johnson Inv.

ARVADA, Colo. — Herbert E. Johnson, Jr. is engaging in a securities business from offices at 7020 Garrison Street. He was formerly with J. K. Mullen Investment Co.



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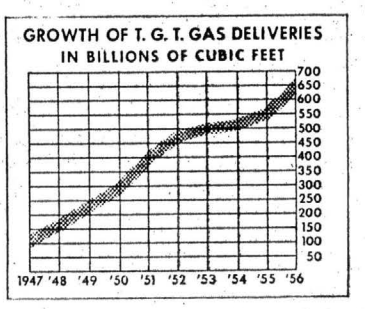

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now that Defense and State Department needs for funds are again on the increase.

The increase in the velocity of turnover of the money supply is approaching its former ceiling. A more rapid increase in the money supply, somewhat in excess of the rate of savings, is therefore to be expected if the growth of business is not to be choked off.

The main problem confronting the economy is inflation. The fact that savings have not kept pace with the economic growth of the economy is a powerful force making for further decline in the purchasing power of the dollar over the years. A change in the tax laws to encourage savings is essential if we are to successfully provide the necessary savings to finance capital expansion and provide for sound economic growth.

The year 1957 is rapidly becoming a climactic year for the monetary authorities. With inflationary and deflationary forces increasing in intensity, important monetary policy decisions cannot for long be postponed if growth of the economy is to be assured and the excesses of inflation or deflation avoided. This is a situation that calls for cooperation as well as restraint on the part of government, business, finance and labor.

The banking outlook for 1957 is excellent. Further increases in bank deposits and loans in keeping with an anticipated accelerated rise in the money supply is expected. The full effects of the rising demand for loans at higher interest rates should result in higher bank earnings in 1957.

PAUL S. GEROT

President, Pillsbury Mills, Inc.

We are currently experiencing very high levels of employment and business activity in general. Business spending during the year just ended set a new record —$35 billion—up 23% from the previous peak in calendar 1955. It seems unlikely to me that this rate of growth will continue for all of the calendar year 1957, although industry on the whole appears optimistic in its plans for expansion in the coming year. Consumer disposable income is at an all-time high, reflecting peak levels of employment and wage rates. While I think we can expect consumers to maintain a relatively high plateau of expenditures in the coming year, I do not look for any appreciable upsurge in consumer spending.

Paul S. Gerot

Prospects for our business in 1957 are favorable. We will have ample supplies of raw materials to work with, and high consumer incomes should result in a continued demand for quality food products.

The outlook in our grain merchandising and feed ingredient merchandising areas is favorable, and barring a critical international situation, we expect that we will be able to continue an aggressive export program on both wheat and flour. Housewives continue to put protein foods high on their shopping lists, and this should be reflected favorably in our formula feed business. In all, I would say that we are looking ahead to good sales volume and a favorable business year in 1957.

R. A. GIBSON

President, The Hartford Electric Light Co.

At The Hartford Electric Light Company we have many reasons for believing that the year 1957 will, as did 1956, prove no exception to the electric utility industry's historic trend of doubling its business approximately every 10 years.

In recent years the population of the territory served by our company, like that of Connecticut as a whole, has grown by an average of about 2% annually, compared with the national average of 1.75%. Today we serve almost one-third again as many residential customers as we did 10 years ago. We estimate that in the next 10 years the population of our territory will increase by about 25%.

Another undeniable stimulus to business activity is the increase in recent years in the formation of new households. Nationally, in five years the number of married couples without their own households has dropped by over one-third.

In the territory served by our company, an area of 245 square miles comprising the city of Hartford and 10 surrounding towns, between 2,200 and 2,400 new homes are being built each year. With new industries moving into the area and others expanding, the probabilities are that the building of new homes will continue at about the same rate for some years to come. During 1956, a year which saw residential construction fall off in some parts of the country, new home starts in our territory were 6% higher than during the previous year.

Population growth and new homes create increased demands for goods and services of all kinds, including electric service and a wide variety of electrical appliances. Most established families in our territory now have electric refrigerators, radios, and vacuum cleaners, but large and promising markets remain for such things as room air conditioners, automatic washers, dryers, freezers, ranges and water heaters.

Ready acceptance of electric living is reflected in the relatively high use of electricity that has long characterized our residential customers. Last year their average annual use increased to about 3,100 kilowatt hours, more than double the average at the end of World War II and 4.5% above the national average. We believe the annual figure will be above 5,000 kilowatt hours by 1965, as such applications of electricity as home heating and cooling are developed further.

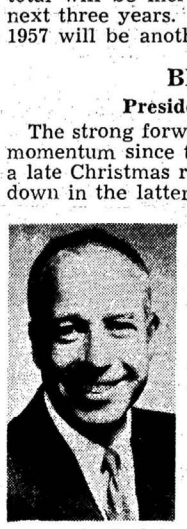
During 1956, a year supposedly overshadowed by the record-breaking business year of 1955, total sales of kilowatt hours in our franchise territory increased another 10%, and we anticipate a similar rise during 1957. This regular increase in our business, year after year, has pushed the annual peak load of the Hartford Electric Light Company—Connecticut Power Company interconnected system to 319,900 kilowatts, more than twice what it was at the end of World War II and 4.5% above the 1955 record.

To keep ahead of this ever-increasing demand for electric service, our company has more than doubled its investment in utility plant since 1948, and the present total will be increased by more than one-third in the next three years. From every standpoint it appears that 1957 will be another good year.

BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

The strong forward sales push in 1956 which lost some momentum since the middle of October was resumed in a late Christmas rush of buying. In spite of the slowing down in the latter part of the Fall Season last year, the second half will probably equal or exceed the second half of 1955. Children's Wear, Women's Ready-to-Wear, and Home Furnishings have generally been strong and with the advent of a more aggressive attitude on the part of department stores generally in competing with all types of retailers, renewed vigor and public interest is returning to the department store. The first half of 1957 in downtown areas should offer at least as good or slightly better sales potential than the first half of 1956, and suburban branches will probably continue to show strong growth and attract more of the customers surrounding their particular areas.



Bruce A. Gimbel

The year 1957 as a whole should continue to show an increase in department store sales. The big problem that faces retailers, as well as the nation generally, is the danger of inflation. The government, and agencies of the government, are taking strong steps to prevent a serious inflation which could result in a boom and bust. The large retailers, like ourselves, can play an important part in this battle against inflation by doing all we can at our end in keeping prices down and resisting price increases all along the line.

LEONARD H. GOLDENSON

President
American Broadcasting-Paramount Theatres, Inc.

In general, 1957 should be an important year in the mass entertainment industry. Largely through new competitive patterns, and with good box office pictures which can draw a large segment of the population desirous of being entertained away from the home, the motion picture industry should approach a sounder economic foundation. Television, at the same time, is emerging as a mature mass communications and entertainment medium, having successfully passed through its final stages as an electronic innovation. This maturation of television has been facilitated materially by the competitive force created by ABC-Television's accelerated development as a major national network, as well as an over-all upgrading in the quality of television programs available to the public and the medium's continued improvement as a major advertising vehicle. At the same time, radio has shown stability and strength. For example, in the first ten months of 1956 over 10 million radio sets were sold (as compared with about six million TV sets). Local stations across the country have had their best year in many years. All signs in the industry point to a resurgence in network radio. Effective April 1, 1957 the ABC Radio Network is raising its rates for its morning programs—the first increase in network radio rates in years — which signifies the increasing recognition, importance and value of network radio as a national medium.

L. H. Goldenson

The anticipated continued rises both in income and in personal consumption expenditures should be reflected in the mass entertainment industry. Moreover, the projected pattern of high employment in manufacturing industry, along with shorter working hours and higher hourly wages, should also contribute to increased mass entertainment expenditures. Therefore, as the total consumption expenditures for recreation increases beyond the $12.2 billion mark of last year, it may logically be assumed that entertainment outlays will rise accordingly.

If the supply of top quality motion pictures is forthcoming from the producers, there will be a receptive and large audience for them despite competition from other leisure time activities.

With an increasingly selective public demanding superior pictures presented in theatres offering a maximum of comfort and convenience, it is the well located and well maintained theatre that fits into this pattern. Because of these conditions, dispositions of less desirable and less economically efficient theatre properties have been made over the past years and are continuing with the ultimate view of retaining those theatres which have the inherent characteristics for profitable operations in the present as well as in the future.

The upward trend predicted in advertising expenditures should inelude a proportionately greater share of the total appropriations for broadcasting. Television should continue to receive an increasingly greater portion of these advertising expenditures. In combination with a rise in the number of television set purchases and the general efforts to upgrade the programming quality, the general efficiency and effectiveness of television as an advertising medium can be expected to continue improving. Radio should also increase its share of advertising expenditures in 1957.

Along with the general upgrading in the quality of the programming, television's unparalleled ability to sell goods efficiently, plus a greater realization of its unique public service values, will bring the medium closer to the fulfillment of its true potential in mass communications. This coming of age will be more firmly established by the allocation of channels in major markets so as to broaden television's nationwide coverage and provide the public with the best service.

Because of all these prevailing indications in a generally expanding economy, mass entertainment industry has every reason to regard 1957 as an important year in its development.

WILLIAM E. GOODMAN

President, Goodman Manufacturing Company

William E. Goodman

Our principal business is in the manufacture of underground mining machinery for bituminous coal mines. The bituminous coal production outlook is excellent and we anticipate that our business will be better in 1957 than in 1956, meaning thereby that both our shipments and profits ought to be better.

L. M. GOODSPEED

Vice-President and Treasurer,
Standard Accident Insurance Company

During the year 1956 the fire and casualty insurance industry suffered very unprofitable underwriting experience. The fire business, although spared the devastation of hurricanes of recent years, was confronted with numerous smaller windstorms producing a high extended coverage loss ratio. In addition, fire losses, up 10% nationwide, increased the loss ratio on straight fire business. Also in 1956, the casualty business was unprofitable with rising loss ratios particularly apparent in the automobile lines, caused by a continued rise in claim costs while claim frequency at best remained unchanged if it did not actually increase. Seldom, if ever before, have the fire and casualty lines simultaneously developed so unfavorably, consequently, the expected benefits of multiple-line operation were noticeably absent. Continued improvement in investment earnings provided a partial offset to the underwriting loss. However, the large additions to surplus in 1954 and 1955 from unrealized appreciation on stocks owned will be noticeably lacking in 1956. Consequently, in many cases policyholders' surplus will be down in 1956.

L. M. Goodspeed

In the light of these developments for the year just closed, let us now consider prospects for 1957. First as to premium volume, a continuation of the rise is to be expected if, as most economists seem to anticipate, the American economy continues to expand by attaining a new high in Gross National Product. For a number of years now the volume of premiums written by fire and casualty companies has increased at a faster rate than G. N. P., and in 1957 the rise should be at least proportionate to G. N. P. It is expected that competition will continue to be exceptionally keen.

Underwriting experience is much more difficult to anticipate. The casualty business should have the benefit of higher rates on the automobile lines, particularly for the important auto bodily injury coverage. Rate increases have already been granted in many territories while in many others higher rates are likely to be put into effect early in the year. As these rate increases are translated into higher earned premiums, an improvement in underwriting results should be evident provided that rising claim costs do not nullify this benefit. Claim costs have risen each year almost without exception from 1945 to date, leading the sporadic rise in rates and thus creating the cyclical development of experience in automobile coverages so evident in recent years. One

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must conclude, however, that the year 1957 should be one of improvement in the casualty lines although it may be 1958 before the automobile business shows a reasonable profit.

The outlook for fire experience in 1957, as in any year, is heavily dependent upon the whims of nature. Any repetition of the many windstorms or the return of devastating hurricanes would obviously produce unfavorable results although higher rates for extended coverage should help to offset some portion of such developments. As to straight fire business, little rate relief seems to be likely so that a relatively high loss ratio must be anticipated.

Another problem confronting both fire and casualty insurers is that of expenses. More efficient methods must be found to counteract the persistent rise in cost of operations, of which wages are by far the most important element. Improvements in data processing provide some hope for important savings in the longer range future.

Further increases in investment earnings are a reasonable expectation in 1957. With the stock market at its relatively high level it would seem unrealistic to assume much additional unrealized appreciation on stocks owned. On the other hand any reversal of the upward trend in the American economy could produce lower stock prices and offset some portion of the unrealized gains of recent years.

In summary, underwriting earnings should improve so that with a continued rise in investment income, total earnings should be better in 1957 than last year. The change in policyholders' surplus will be largely governed by the market action of stocks owned.

PAUL W. GOODRICH

President, Chicago Title and Trust Company

Nineteen hundred and fifty-six was an active one for our company with greater gross income than the previous year but also with higher operating costs as has been typical of most business enterprises.

Paul W. Goodrich

National factors that will contribute to long term future economic growth of the country as a whole include the trend toward larger families and an increased rate of family formations that is apparent in population statistics, the contributions of science and technology which will stimulate the desire for new and better homes, and the substantial improvements in transportation methods.

These are influences which will be active throughout the entire country. When you also consider some additional factors at work in the Chicago area, we have reason, I believe, for good expectations in this particular region. The market for new housing and industrial construction continues to be stronger in the Chicago area than in most parts of the country. Construction of the St. Lawrence Seaway, the Cal-Sag Channel, toll roads and new highways, commercial expansion and civic improvements all point to substantial long term economic growth in this region.

As for the real estate market specifically, it is evident that the present shortage of mortgage funds could curtail somewhat the total volume of new home construction and sales. Moreover, in common with all business enterprises, volume and earnings in the coming year in the real estate field may be strongly influenced by unforeseeable developments in national and international affairs.

R. L. GRAY

President, Armco Steel Corporation

At Armco, we expect that the steel industry will make and sell more steel in 1957 than ever before in its history.

Almost every economic indicator points to a record year ahead. The top year for steel production was 1955, when the industry turned out 117 million tons. In 1956, the total was about 115 million tons. But in 1957, we look for steel production to break 1955's all-time record.

R. L. Gray

Throughout 1957, and in the years ahead, the emphasis on research in our industry will continue to mount. The constantly rising cost of making steel is spurring the industry to invest more and more time and money in the search for more efficient methods of production. Never before in history has there been greater concentration on the development of simpler, less costly production processes. Armco research and engineering staffs, as those in other companies, are working hard on methods which will be either more efficient or require less capital investment.

We feel that some of the production methods under experiment today will eventually become standard operating processes and help to reduce our steelmaking costs.

The world-wide trend of inflation which began in 1940 has given our industry a problem which is becoming more serious as each year passes.

It has its roots in the "horse and buggy" depreciation provisions of our tax laws which do not take into account this rapid inflation. We are not able, under present law, to set aside sufficient funds from depreciation allowances to replace the equipment we are wearing out. Thus we must spend more and more of our earnings just to stay even—not to mention expansion.

And we must expand, if we are to keep pace with the growth of our country. As our population moves upward, the public demands more and more steel, and our industry is well aware of its obligation to meet that need. More and more furnaces and rolling mills will have to be built at greatly inflated costs.

To keep growing fast enough to fulfill the public's wants, however, we must continue to earn profits sufficient to pay our shareholders a fair return on their investment, attract new capital, and eventually pay for the new facilities needed. Our profits, which reached a peak of about eight or nine cents on the sales dollar are now being squeezed tighter and tighter.

Despite these problems, Armco is moving ahead. Construction work we are now completing will raise our annual steelmaking capacity to 6,222,000 tons by mid-1957, a 21% increase over our capacity on Jan. 1 of 1956.

A further indication of our confidence in America's future is our plan to spend about $120 million in 1957 for improvements and expansion.

This expenditure will continue the pattern that has kept Armco growing faster than the industry as a whole since World War II. During this period our plants have been practically rebuilt. Our steelmaking capacity has increased about 80%, creating almost 11,000 more Armco jobs. This has been sound growth and we expect it to continue.

For generations past steel has been the backbone of our economy. In the future vast tonnages of it will continue to be used in automobiles, homes, railroads, ships, and the thousand and one products that have become part of our daily living.

Continued on page 73

On the banks of the Wabash and Ohio Rivers two history making 450,000-kilowatt electric power units will soon rise. Seventy-three percent larger than any units in operation today, these generators are another example of the American Gas and Electric System's effort to provide dependable, low-cost power to the dynamic seven-state area it serves. The home of 5,000,000 people, this area reaches from Lake Michigan to North Carolina.

Since our founding, fifty years ago, we have pioneered developments for improving service and lowering cost. These developments, coupled with increased usage, have kept the cost of electricity on a downward trend, while the cost of most other products and services has risen.

Plenty of low-cost electric power, abundant natural resources, and the skill and efforts of an enterprising people are but a few reasons why America's leading industrial companies continue to settle and prosper in this area.

As part of our current $700-million expansion program these giant electric generators will play their part in the even greater growth this area is experiencing.

AMERICAN GAS AND ELECTRIC SYSTEM

Appalachian Electric Power Company
Indiana & Michigan Electric Company
Kentucky Power Company
Ohio Power Company
Kingsport Utilities, Inc.
Wheeling Electric Company

Serving 2321 communities in these great states:
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For a copy of our 1956 Annual Report write to Mr. W. J. Rose, Vice President Dept. B American Gas and Electric Company, 30 Church Street, New York 8, N. Y.

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Yet there are also many new steels which are true "glamour metals." New heat-resisting stainless steels are displacing other materials for supersonic aircraft and guided missiles; modern buildings with skins of gleaming stainless or colorful porcelain enameled steel are going up everywhere; stainless steels are also making possible the experimental gas turbine engines that at some future time may well displace the conventional piston engine in the world's automobiles.

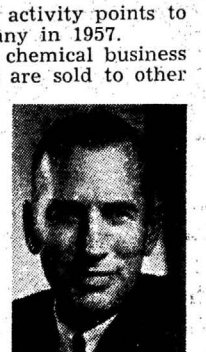
Armco, as always in the past, is in the forefront of these developments. We have faith in our country, our industry, and our company, and the new uses of steel that we see ahead underlie our confidence.

CRAWFORD H. GREENEWALT

President, E. I. du Pont de Nemours & Company

The high level of general business activity points to a good year for the Du Pont Company in 1957.

When general business is good, the chemical business is good. Nearly 95% of our products are sold to other industries, large and small, for further processing.



C. H. Greenewalt

Sales and earnings of the company for 1956 will be under the record peaks reached in 1955, due to lower prices and rising costs. The physical volume of production remained high, somewhat higher, in fact, than in 1955; but prices of Du Pont products in 1956 averaged 4% below our 1955 prices, in contrast to a 4% increase in general industrial prices.

Higher prices are almost inevitable when wages and other costs rise faster than productivity. To hold necessary price increases to a minimum, the Du Pont Company has invested heavily in research seeking improved technology and less costly manufacturing processes as well as new and better products.

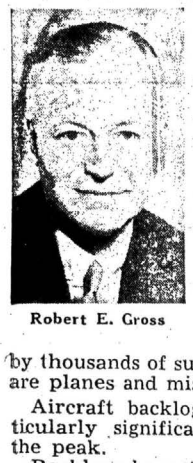
Our confidence for the years ahead is reflected by the company's expenditure of more than $160 million for construction in 1956. This is more than a 25% increase over 1955. While much of this construction is for expanded capacity, a considerable portion goes for replacement or improvement of existing facilities to get better quality, greater volume, and lower unit costs.

The standard of living for all Americans has risen sharply in the decade since the end of the Second World War. It seems to me this bears impressive witness to the important contributions of scientific research and development in our expanding economy. With industry generally placing increasing emphasis on research, we can afford to be confident over the future.

ROBERT E. GROSS

Chairman of the Board, Lockheed Aircraft Corporation

Predicting the air industry's prospects for 1957 isn't difficult. Sales volume will continue upward. We know this because of solid business already in hand and delivery schedules already established.



Robert E. Gross

Aircraft manufacturing sales should approximate $9 billion—10% higher than 1955 and somewhat higher than 1956. Shooting war, cold war, police action, or recession will have little effect. I'll explain this odd situation:

While our business has a natural sensitivity to international trends that is characteristic of defense industries, it would take a revolutionary worsening or improvement in world tensions to bring about a sharp enough change in aircraft production to influence 1957 output. Aircraft lead times — the time required to fill the production pipelines with necessary components furnished by thousands of suppliers—are long. Our 1957 deliveries are planes and missiles ordered 16 to 30 months earlier.

Aircraft backlogs are near an all-time high — particularly significant when you consider what creates the peak.

Backlogs have two principal components. The dollar volume of the first doesn't change much. It represents the cost of continuous provisioning to keep air wings and commercial fleets in operation — replacements, spare parts, and reorders.

The other part has increased—the value of new wares in the aircraft market place. Pushing this backlog to a new high are orders for a wide range of missiles, combat aircraft with new and advanced performance, and new designs in commercial prop-jet and jet transports.

The high dollar volume of these new products indicates that sales we will record in 1958, 1959, and later will remain high—at levels approximating or exceeding this year's.

Seventy-five percent of my company's airplane backlog, for example, is made up of four new aircraft types. Three are entirely new designs, and the fourth, the Model 1649, incorporates features of speed, range, and payload never previously available in our Constellation series.

Now, we have finished a good production year, we are entering another year of high deliveries, and the future looks bright. How about industry profits? Probably they will not show any increase over 1956 despite higher sales volume — although individual companies will vary from the pattern.

There are several reasons. One is renegotiation. Our profits for each year are subject to review. Then several years after we earn them, we may be required to refund amounts established by the Renegotiation Board as "excessive." The government has asked several major companies for refunds from 1953 earnings.

Other factors that affect our industry are perhaps inherent in young and growing industries. We know that our future growth is directly related to our capacity for invention, innovation, and mass production. We must spend large sums to create and maintain these capacities at levels necessary to insure our survival.

We are now having to acquire capital assets at a rate just a little faster than we can afford. There is no novelty in this situation. Most older industries have faced this problem at one time or another. But today's experimental and production tools adaptable to aircraft work come high. It is not a question of buying land, buildings, and a few multi-purpose machine tools — things that generally last for many years. New machines, computers, and laboratory equipment—often made expressly to our order—can cost hundreds of thousands of dollars for a single item.

We amortize a large part of the cost of these new specialized tools over a 60-month period. This provides some tax advantage but necessarily reduces the amount of profit we show.

Our other great requirement—to maintain a steady flow of new and improved products—also demands the fullest possible employment of our working capital. It creates an even more pronounced effect upon profits than plant expansion programs. Lockheed and several other major companies currently developing new commercial models are having to charge off this research and development expense during this critical era of capital asset expansion.

In my opinion, the introduction of increased private capital to help finance our capital additions and development of new products is a good thing. There is no person in the nation who is **not** affected in some way by what the air industry produces and its ability to meet national emergencies.

The fact that private capital has been available through debenture issues and bank loans and other commercial financing is heartening. It represents a vote of confidence in the air industry by the public.

L. J. GUNSON

President, Publicker Distillers Products, Inc.

When all the figures are in, 1956 will have the distinction of being the second best year since Repeal for liquor sales volume.

Consumption of distilled spirits is certain to exceed 200,000,000 gallons for the first time since 1946, when liquor sales amounted to 231,000,000 gallons.

L. J. Gunson

Domestic whiskies in 1956 continued the same trends established in previous years. Straights were up. Blends were down slightly. For the first eight months the percentages of sales were: Blend, 58.6%; straights, bonds, and blends of straights, 41.4%.

The general increase in sales reflected record incomes for all Americans, their growing concern with the requirements of gracious living and home entertaining, and a more aggressive approach to merchandising by American distillers.

Despite the increase in gallonage sales, profits of many distillers were down or on a plateau during 1956, due mainly to problems created by excess inventories reaching the eight-year forceout bonding age and the price-cutting competition this created.

A solution of the bonding period controversy between distillers, with Congressional relief action, would stabilize the liquor industry in 1957 and permit all companies to sell their products at fair prices. In turn, this would permit liquor companies to realize a fair return on their investment.

Non-whisky alcoholic beverages, increased their share of the total domestic distilled spirits market during 1956. At the end of August, they accounted for 26.6% of total domestic bottling, compared with 23.7% a year earlier. Paramount reason for this was the continuing growth of vodka sales. Although vodka volume during the Summer months increased at a tempo slower than the phenomenal rate recorded in the earlier months, the eight-month figures nevertheless showed a rise of 80.2%, or 3,500,000 gallons over the preceding year. Vodka leads all other domestic spirits in percentage and gallonage gains.

Cordials and brandies showed moderate gains, while rum was the only product to show a decrease in the eight-month period.

Bottling of gin during the key months of July and August reflected a sharp decrease of 17% compared with the same months of 1955. This reduced gin bottling increases from January through August to 1.1%, amounting to less than 200,000 gallons.

The outlook is for continued sales growth of distilled spirits. Individual incomes will continue high. The trend to suburban living and the growth of a prosperous middle-income grouping continues. This means that the facilities and the need for increased home entertaining are continuing to develop concurrently with the financial means to fulfill them.

We are experiencing significant changes in the American pattern of living which point the way to 1957 being one of the best years in liquor industry history.

GEORGE GUND

President, The Cleveland Trust Co., Cleveland, Ohio

A year ago I ventured to predict that 1956 would be a bigger year for business than 1955, which proved to be the case. Now I am going to say the same thing about 1957. Admittedly, the crystal ball is murkier than usual this time because of foreign uncertainties. But, whatever their outcome, I do not expect any outbreak of full-scale war. And the present indications are that domestic business will hang up a new record for the year 1957. We are starting off with industrial production at a new peak. Moreover, many manufacturers have a very large backlog of orders which will keep them busy well into 1957.

George Gund

One reason for confidence is that the automobile industry, which was one of the two principal weak spots in 1956, is headed for better times. Output of new cars should be at least 6.5 million in 1957, as compared with about 5.9 million in 1956. The other laggard was home building, which was in a declining trend throughout most of 1956. In this field we may see a leveling-off at around the current rate, though no vigorous revival seems likely in the near future.

The most conspicuous strong spot in 1956 was business outlays for new plant and equipment, which were by far the largest in history. A further rise of 5 to 10% in these capital expenditures is probable in 1957, but the gain will be lower than the 22% advance for 1956 over 1955.

The total dollar volume of business in 1957, as measured by the gross national product, will probably be close to 4% above 1956. Higher prices should account for about half of the gain. All three of the chief components will show an increase—namely spending by consumers; business; and Federal, state and local governments.

FRED G. GURLEY

President, Atchison, Topeka and Santa Fe Railway System

The Santa Fe Railway System looks forward to a continuing high level of business during 1957 and expects that gross revenues will equal or slightly exceed the revenues of 1956. Economic conditions in Santa Fe territory were generally good throughout 1956 with the exception of some agricultural areas in the Southwest which continue to suffer from severe drought. Gross revenues from all classes of service are approximately 3% above 1955, although net income is likely to be about 10% below last year because higher costs of conducting the business have not been covered fully by rate increases for the services performed.

Fred G. Gurley

The over-all volume of Santa Fe traffic is quite naturally geared to the prosperity of the area served by the railroad, and there appears nothing now to suggest any significant change in the record of growth of population, business and industry in the West and Southwest during the coming year. The outlook for agricultural production is favorable in most of the areas, although, because of the effects of drought and the soil bank program, a decline seems certain in winter wheat production, an important volume commodity for the Santa Fe.

Continuing increases in the costs of wages, fuel, materials and supplies and payroll taxes are placing the railroads in a position of waging a strong fight against the squeeze that results from inflationary pressures combined with an inability under regulatory policies to get rates more nearly in balance with higher costs. Even a rate increase, which merely absorbs higher operating costs, would add nothing to the net income on which there are greater requirements for capital expenditures involving replacements at prices much higher than amounts provided by depreciation based upon original costs of old facilities that are replaced.

The Santa Fe has spent large sums in modernizing and improving its plant to keep abreast of growing transportation demands and substantial expenditures already authorized for further acquisitions of new equipment and major property improvements represent a continuation of this program in 1957. The authorized program includes 273 track miles of new rail, all to be continuously welded; a new retarder-operated classification yard in the plan for modernization of Corwith Freight Terminal at Chicago; 22 additional diesel units, 71 new baggage and mail cars, and 5,500 new freight cars of various types. Some of the freight cars may not be received until the first half of 1958 under present delivery schedules.

This reflects our full condidence in the future and in the soundness of our basic economy. We have confidence, too, that there will come a wise and sound treatment of the competitive situation in transportation through appropriate modernization of governmental regulations, all in the interest of continuing the vitality of railroad services which have been and always will be so essential to our national defense and the commerce of the country.

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W. S. HALLANAN

President, Plymouth Oil Company

There is every reason to believe that, measured in terms of production, capital expenditures and number of wells drilled, the petroleum industry will establish new records during 1957.

W. S. Hallanan

Unless there is a substantial increase in the price of crude, however, these new records will be achieved at the expense of severe impairment of the industry's ability to meet the normal expected increase in demand in the foreseeable future, not to mention any emergency demands arising from an explosive world situation.

The Suez crisis has brought recognition of the vital importance of the domestic oil industry of America and of the western hemisphere in the preservation of free institutions from the tyranny of Communism. The semi-paralysis of Western Europe's economy, resulting from the closing of the canal and the sabotage of Middle East pipe lines, has awakened the entire free world to the realization that there can be no permanent dependence upon petroleum reserves located under the shadow of Communist guns and in an area where our enemies are more numerous than our friends.

If the domestic industry receives an adequate and long overdue increase in crude prices, it can meet the demands of the uncertain world situation. If such increase is denied, it will be called upon the deplete its reserves and weaken its capital structure, and thereby imperil the national defense and the public welfare.

My opinion is that the grim realities and the simple economics involved will bring some measure of relief and encouragement to the domestic oil producer early in 1957. If that develops, the industry will be in position to take a long step forward in the expansion of productive facilities and in the maintenance of adequate reserves.

E. J. HANLEY

President, Allegheny Ludlum Steel Corporation

The year 1956 will be looked on in the stanless steel industry as the break-through period for the 200 series of stainless steels when a phenomenal 850% production increase was noted over the previous year. This means that 1956 will be remembered as the year when a substantial number of stainless fabricators learned to stretch scarce nickel supplies twice as far without sacrificing quality. There were 1,886 net tons of the 200 series produced in 1955. This increased to more than 18,000 net tons for the year. The 200 series, pioneered by Allegheny Ludlum Steel Corporation, is the chromium-nickel-manganese family of stainless steels which utilizes about one-half the nickel content of the more familiar 300 series.

E. J. Hanley

The stainless industry continued to produce at a near record rate during the year and is expected to ship 680,000 net tons of finished mill products for 1956. This is less than 1% below the all-time record high set by the industry last year when 686,000 net tons were shipped. During the past year production and shipments were curtailed by a 34-day strike.

Information gained in a survey of sales of stainless steel by warehouses conducted by the industry showed that consumption is more diversified than previous data had indicated. For instance, industrial end uses account for 53.6% of volume, as against 25.2% for consumer products, and 21.2% for all others. Stainless steel sales, the survey indicated, are more sensitive to capital equipment expenditures than to automotive production.

During the year shipments of stainless steel plate increased 58% over the previous year; hot rolled bars went up 36%; tubing, 29%; cold rolled sheet, 10%; and heat resisting stainless steels, 21%.

There was a decrease of 22% in shipments of cold rolled strip. This product made up 39% of the shipments of the industry in 1955 and totaled about 31% this year. Much of this product goes to the automotive industry. Automobile production figures indicate that 1956 will be just under a six million car year, or a 26% drop from last year.

While the automotive business dropped in 1956, growth in other areas of the industry offset this decline. Increases were noted in mill shipments to the aircraft industry which had a 58% rise over 1955 shipments. Industrial machinery and capital equipment shipments had a 43% increase and those to the electrical machinery industry rose 133%.

Allegheny Ludlum experienced a good year both in sales and in production. The consumable electrode vacuum remelting facilities were increased; a vacuum induction melting furnace came into limited production. Substantial tonnages of stainless steel are now going into atomic uses. The chemical, pulp and paper, textile, and food handling industries ordered more stainless to expand their plants and facilities.

Among development projects successfully completed in 1956 were new functional applications in automobiles. Stainless steel expander rings for automotive pistons and parts for the radiator are being used on some 1957 cars. Another new application is the stainless steel muffler for use on Diesel locomotives.

Allegheny Ludlum believes that 1957 will be a better stainless steel year than 1956. This optimism is based on predictions for a good automobile year; continued high capital expenditures in the chemical, paper, and food processing industries; and continued good business generally.

Another principal product of the company is electrical steels which enjoyed a 5% increase over last year's 791,000 net tons. The year 1956 was an all-time high production year with an estimated 830,000 net tons. Electrical steels are special grades for use in motors, generators, transformers, and other electrical equipment.

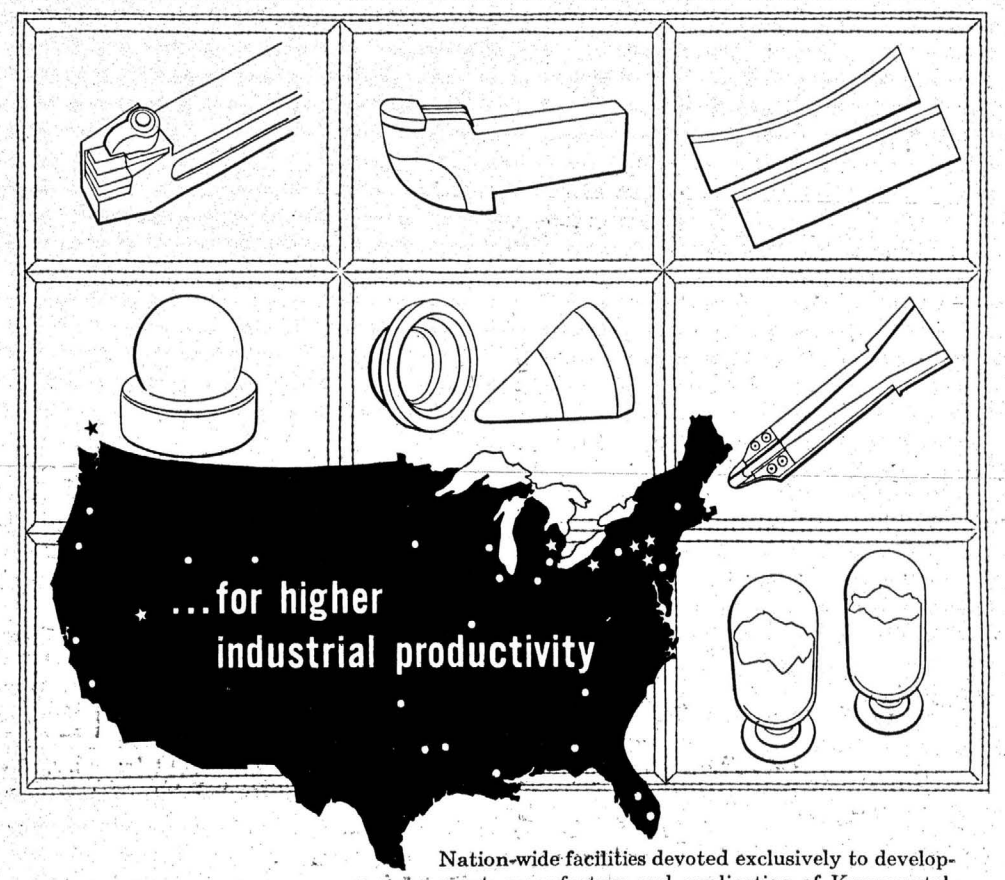
It is expected that in 1957 there will be even greater tonnages produced by the industry. The growth of the use of these steels parallels the growth of the use of electricity throughout the nation. Reports from a large electrical manufacturer predict an 85% gain in the consumption of electricity from 1955 through 1960 for industrial uses and a 190% increase for residential uses.

The tool steel market, another area of interest to the company, was 11% higher in 1956 than it was the previous year. In 1955 there was a total of 115,000 net tons shipped by the industry, with about 128,000 net tons being shipped this year.

The demand for tool steel usually forecasts the level of business which is to come and generally closely parallels steel as an industry.

The company is continuing and broadening its work with zirconium, and melting and processing of this metal increased materially in 1956. It is expected that interest and production will grow in the coming years. Zirconium is used primarily in the atomic energy field.

Continued on page 80



Nation-wide facilities devoted exclusively to development, manufacture and application of Kennametal.

Kennametal*—a most unusual metal... a partner in industrial progress

Within a span of 18 years, Kennametal has created many innovations in metals . . . pioneered many revolutionary techniques in the art of tooling . . . helped American industry reach greater heights of productivity.

Among these developments are many grades of hard tungsten carbide for metal-working tools; cutter and drill bits for modern mining machines; knives for planing wood; and hard, strong machine components of Kennametal that usually last 100 times as long as steel. Kentanium,* another unique development, is a hard titanium carbide for operations where high temperatures (1800°F. and above), and where severe corrosive and abrasive conditions are encountered.

Many other Kennametal hard metals have been created for specific applications where great strength, hardness, resistance to deformation, impact, abrasion, corrosion or combinations of these are required. More recent Kennametal developments include high purity (99.5%) columbium and tantalum metals to meet the exacting requirements in nuclear energy applications . . . a field where only the best in quality and dependability is acceptable.

As we look forward, we feel sure that Kennametal and Kentanium with their many unique properties will play even greater roles in increasing the productivity of American industry and in helping provide a better way of life.

If you have a "metals" problem, why not consider the unusual properties offered by Kennametal and Kentanium? If you will give us details, we'll be glad to work with you. Perhaps Kennametal could serve as *your* "Partner in Progress." KENNAMETAL INC., Latrobe, Pa.

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INDUSTRY AND KENNAMETAL ...Partners in Progress

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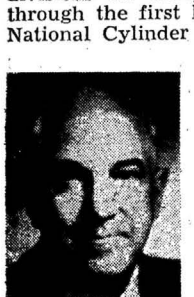
CHARLES J. HAINES

President, National Cylinder Gas Co.

Increased volume was enjoyed by all the company divisions in 1956, and this will continue certainly through the first half of 1957, and most likely longer. National Cylinder Gas is so well diversified now that its activities reflect expansion in steel, in metallurgy, in nuclear power, in petroleum refining and in many other basic industries.



Charles J. Haines

Sales during the first nine months of 1956 were more than $103,000,000. Net earnings for the nine months ran 84% ahead of those in the like months of 1955. Growth of demand in general, and development of new uses for high-purity oxygen and hydrogen in metallurgical, chemical and therapeutic fields was responsible for this excellent showing.

New uses for our products have increased demand for them so greatly that National Cylinder Gas has launched a widespread program of building new gas-producing plants and expanding the ones we now have. As the year ended the company was producing industrial gases at 75 locations in this country, Canada and South America. Seven other projects, expansion or new-plant building, are under way. Still others are on the drawing board.

Rapid growth of the chemical industry, and steadily rising runs of petroleum through refineries, have created major expansion activity at the two NCG divisions that have their headquarters in Louisville, Ky. These are Girdler Company and Tube Turns.

Girdler Company facilities for making special catalysts were increased greatly in 1956 to meet growing demand for these recation agents for chemical and petroleum processing and fats and oils production. Girdler also builds plants for chemical and other industrial processing, from its own designs or those of its clients, and this work progressed successfully during the year, with a large backlog of construction contracts awaiting completion in the new year.

Tube Turns, which makes welding fittings and flanges for the vast range of American industry which must move liquids through pipes at high pressures or for long distances, faced the necessity as 1956 ended of expanding its facilities further to keep up with fast-rising demand. Its property area in Louisville was doubled, in preparation for erecting new plant buildings there. During the year a plant was build in Ridgetown, Ont., to supply Canadian customers.

Tube Turns, the nation's leading producer in its field, continues to participate fully in the nation's plant and equipment boom. Its fittings are integral parts of some of the first nuclear energy projects. So are the welding flanges and custom forgings of another NCG division, Pennsylvania Forge Co. in Philadelphia. Forgings for the nuclear energy program, power plants and defense projects are expected to expand Pennsylvania Forge sales still further in 1957.

Perforating Guns Atlas Corporation of Houston, one of the fastest-growing of NCG subsidiaries, suffered from disproportionate overhead charges, brought about by the great success of its methods, in 1956. This company specializes in service to the petroleum industry not only in this country, but also in Canada, South America and Germany, providing electrical and radioactivity logging of oil wells and producing tracts, and well-perforating services. Demand was so great in 1956 that much of the company's revenue went to train crews of technicians and provide them with equipment to perform these services. With this extraordinary expense behind it in 1957, the division expects to profit from its larger staff and plant.

ELVIN E. HALLANDER

President, Lynch Corporation

Lynch Corporation views 1957 with conservative optimism as a growth year in each of the industries it serves: glass container manufacturing, packaging and automation equipment.

Elvin E. Hallander

Glass container output is forecast by the industry to be up 5% over 1956 which, coupled to sales of newly developed glass equipment, should mean that our glass sales will run 5% to 10% over 1956.

Due to the production of glass containers on a 24 hour day, 7 days a week basis, 60% of Lynch glass sales are service parts and components. Because of this, a substantial part of our business is directly tied in to the rate of production of the glass container industry as a whole.

Our packaging equipment business was 29% higher in 1956 over 1955 and we are forecasting a 1957 that is 30% higher than 1956. This increase is largely due to product lines acquired through the purchase of two companies in 1956, plus the effect of newly developed packaging machines.

During 1956, Lynch Corporation started the development of an automation equipment division for the sale of special application machinery as a logical adjunct to its glass and packaging lines. Just enough business was taken in 1956 to familiarize the Lynch organization with this type of business. In 1957, it is expected that 10% of total Lynch sales will be in automation equipment.

During the last year, Lynch started building certain of its repetitive products in both glass and packaging on a stock basis in anticipation of customer orders. This program was successful in attracting some business that would otherwise have been lost due to delivery and it has permitted doing more business on less order backlog. Taking this business into account with the short cycle sale of service parts, our backlog at year-end was sufficient for three to four months production at the current rate.

Earnings were up in 1956 over 1955. It is expected that we will improve this trend in 1957 due to further operating economies from aggressive cost reduction programs. A significant operating economy from this work is the ability to sell one Indiana plant out of three and still have sufficient space left for a 20% or more increase in production.

CARL E. HANSON

President, Bishop National Bank of Hawaii, Honolulu

The coming year should be a good one for our community. The outlook for the major industries, especially the tourist business is optimistic. The interest of mainland business concerns in expansion to Hawaii remains encouraging. Most Island businessmen in the retail trade are looking forward to another good 12 months. As long as nothing occurs to destroy the confidence of investor capital, 1957 should be at least equal to 1956, which has been a year of prosperity for Hawaii.

I. J. HARVEY, JR.

President, The Flintkote Company

The continuing high level of industrial activity and disposable income result in an outlook for 1957 that is good for business in most of the fields in which The Flintkote Company is engaged. While it is anticipated that a further decline in new residential construction will result in 1957 unless credit restrictions are eased, it would appear that this would be largely offset by increased volume of maintenance and repair activity.

I. J. Harvey, Jr.

As new construction drops, more sales effort becomes available at the consumer level and the necessary labor more readily available for maintenance and repair work. Under these conditions and with less credit required, the home owner is more inclined and finds it easier to protect and improve his existing dwelling.

GEORGE W. HANSON

Treasurer, Atlantic, Gulf & Pacific Co.

Transport by water is the most economical way to move anything suitable for such transportation. But transferring oil or other cargo from large to smaller boats or to pipe lines because of inadequate channels slows distribution and adds to its cost.

Here are excerpts from an article which appeared recently in the New York "Times":

"A multi-million dollar crude oil pipe line, with a capacity in excess of 500,000 barrels a day, will be built from Delaware Bay to this area's refineries by a new corporation, Cape Pipe Line Company. . . . The pipe line is needed . . . because many super-tankers require deeper channels than the 40-foot depth the Delaware River provides for refineries in the Philadelphia area. Some super-tankers now anchor in Delaware Bay and discharge part of their cargo of crude oil into normal-size tankers before entering the river. . . ."

Important channels, harbors and anchorages must be kept adequate for tankers and other vessels with more and more draft. Who knows when they may become vital factors. This is a troubled world; no important defense measure should be neglected.

During World Wars I and II the dredging industry with its special equipment was of inestimable value. But to keep in condition to meet possible emergencies it must be reasonably active in Federal waterway improvements during normal times. Unlike most construction equipment, ours is built for a single purpose; when that work is unavailable it must remain idle. Slack periods are costly and demoralizing.

Indications are that during the past two fiscal years the Administration has become aware of the vital importance of continuing waterway development. If this awareness does not slacken (most of our work is Federal), and if a fair volume of non-Federal work materializes, the outlook for our industry is encouraging.

HAROLD H. HELM

Chairman of the Board
Chemical Corn Exchange Bank, New York City

Another year of strength and vitality is indicated for American business in 1957. Some of the contributing factors are the following: Employment and population figures continue to show healthy increases; budgets for industrial expansion have been set at a record figure, and government spending for defense, highways, and other public facilities has been stepped up.

Harold H. Helm

Demand for money for consumer purchases, for the expansion of industrial plants, and for other private and public projects has exceeded the accumulation of new capital. Consequently, this excess of demand over the available supply of corporate and personal savings has caused the bidding for funds at higher rates of interest. This is a healthy influence, for if the supply of money is permitted to increase out of proportion to the increase in the productivity of the country, monetary inflation, with all of its painful consequences, will follow inevitably.

It is our belief that the heavy demand for money will continue during the year ahead. Although the high volume of business is enabling corporations to generate more cash through retained earnings, and depreciation, nevertheless, this cash flow is not sufficient to provide for all of their capital requirements. It, therefore, appears likely that they will be forced to raise as much money in 1957 from outside sources as the estimated $7 billion which they obtained in 1956.

Recognizing that the dangers of inflation still threaten, the Government has pursued sound fiscal policies and the Federal Reserve Board has followed a constructive monetary and credit program. Nevertheless, the dollar will continue to lose more purchasing power if price levels are allowed to edge higher. This trend, if not resisted by all sectors of the economy—by management in the pricing of goods, by labor in its demands for higher wages and by bankers in the extending of credit—is bound to spell a false prosperity with more dollars of much smaller value.

Despite the uncertainties and unfortunate occurrences, we are hopeful regarding affairs abroad. Our Government's diplomacy and the progress of the United Nations in promoting peaceful solution of international problems have been most encouraging. Our Administration's efforts to raise living standards throughout the free world also are to be commended, particularly the "Atoms-for-Peace" program.

The prospect of continued expansion in the national economy and in international trade augers well for Growing New York—the world's capital of business and finance. With the counsel and help of the outstanding men Chemical Corn Exchange Bank is privileged to have as Directors and Advisory Board Members, and with our splendid staff of devoted men and women, we will play our part in such growth. Again we continue to pledge ourselves to serving the best interest of our customers and shareholders.

ERNEST HENDERSON

President, Sheraton Corporation of America

The hotel industry in 1957 appears to be heading for another record year. Gross sales for all hotels should exceed $3 billion.

The trend towards reduced occupancy was brought to a virtual halt during the past 12 months. A small increase is anticipated by the industry for 1957, with somewhat more optimistic comparisons projected by the larger hotel chains.

Ernest Henderson

Last year appears to have been a record one for improvements to hotel properties. Redecorating, rehabilitation, air conditioning, as well as general modernization, reached record totals. In part, as a result of these refurbishing programs, and in part through the impact of a larger volume of travel, sales volume for the hotel industry should exceed the 1956 record figures by some 6%. Sheraton Hotels are presently enjoying 2% higher occupancy and are averaging 9% higher sales volume than a year ago. This increase in sales is, of course, independent of any sales advances brought about by recent additions to the Sheraton "family" of hotels.

One of the factors which have influenced adversely the expansion of hotel enterprises during the past 25 years has been the reluctance of individual investors to show much enthusiasm for hotel company common stocks or debt securities. There are several reasons why this widespread apathy may change during the coming year.

Perhaps the most important reason for this change in attitude—a change which may have important repercussions on the industry—is the realization that during recent recessions such as 1949 and 1954, earnings of the hotel industry were more stable than those of most manufacturing and many merchandising enterprises. Sheraton's earnings actually maintained their uptrend

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during these so-called recession years. The answer seems to be that hotels, which made such a sorry record during the great depression of the 1930's were then saddled with relatively heavy mortgage indebtedness. This contrasts with the rather conservative debt structure of today, when related to the present market value of most hotels.

Perhaps as a result of the better than average showing made by hotels during recent recession years, both hotel debt securities as well as hotel company equity shares have appeared in substantial amounts in the portfolios of several of the country's leading investment trusts—a development which may well foreshadow an increased interest on the part of the general public. This may mean a change in the tendency of listed hotel common stocks to sell at half their indicated asset value, or for their debt securities to sell, even under existing tight money conditions, on the basis of what appears to be a quite high yield.

New hotel construction—almost dormant for several decades except at Miami Beach—is gradually becoming practical in leading commercial cities. A new 1,000-room Sheraton is scheduled to open in Philadelphia the first week of March. Further new construction by Sheraton as well as other leading chains can be expected in the near future.

JOHN A. HILL

President, Air Reduction Company

By most accounts 1956 was a year of record business activity, although some segments of the economy slipped somewhat from 1955 levels. As we enter 1957, this new year has the potential for even higher economic heights. Present prospects for income and for spending by the businessman and by government point toward a continuation of this 1955-56 boom into 1957, although at a somewhat slower rate of increase. The consumer's spending intentions are not quite as clearly defined, although it is apparent that his personal income will rise still further in 1957.

John A. Hill

The momentum of our present accelerated rates of business activity, the prospects for a somewhat improved automobile year, an expected increase in shipbuilding activity, and further growth in heavy construction should enable the metals producers and fabricators to maintain production activity at high levels. Continuing technological improvements and increasing production acceptance of industrial gases and welding equipment should result in a good year for this business.

The large volume of funds spent for research and development in the past year, the heavy program of capital expenditures for new plants and new products, and more diversified growth into new markets should make for a good chemical year in 1957.

The picture for 1957 should become much clearer as we get a little further into the first quarter; for this year, more than any other recent year, may well reflect the increasing weight of important psychological factors. The effect of price increases upon the well-stocked consumer's willingness to buy; some lessening of the businessman's ebullient confidence in his profits future; a more sober appraisal of the credit future—any one of these could slow our economic progress during 1957 and might well result in a plateau or a down-turn in activity later in the year.

In summary, the outlook for the year ahead seems to indicate not an alarm, but an alert.

CHARLES W. HOFF

President, Union Trust Company of Maryland, Baltimore

We begin the year with the momentum of business under the restraining influence of the Federal Reserve System, which has succeeded so far in maintaining orderly progress and in preserving the value of the dollar. Even if the pace slackens somewhat the immediate outlook will still be favorable, and there is good reason for confidence in the long-term planning of those who are not so much concerned with temporary changes as with conditions and markets in the years ahead.

Charles W. Hoff

We are in a strong employment situation, and personal income is at a new high. The forecast for steel is exceptionally good with the expectation that the industry will operate at close to capacity well into 1957. Expenditures for industrial expansion of plant and equipment and for public construction are expected to exceed those in 1956, and will more than offset the small anticipated reduction in private residential construction.

At the same time there are sobering aspects to the picture. The international political situation is sensitive, and we may expect continued heavy expenditures for defense purposes. Under the circumstances it is doubtful that any significant reduction in the national debt or in taxes can be attained.

In our immediate area—with highly diversified manufacturing—business activity is at a high level, and may be expected to follow the national pattern of prosperity in the months immediately ahead.

Banks should have another profitable and useful year, although it is doubtful that they will experience the same degree of higher earnings over 1956 that they did during the past year over 1955.

WARREN E. HILL

President, Thermoid Company

The automobile industry appears to be well on its way toward a near-record year in 1957. If production estimates are achieved, 1957 will be better than any previous year except 1955.

The Thermoid Company, which derives 40% of its business from sales to the automotive field, is benefiting from expanded automobile production. Sales of automotive fan belts, brake linings, carpeting, and other friction products are expected to be higher than in 1956. Sales of automotive replacement parts should reflect in 1957 the continued upward trends in automobile registrations and usage.

Warren E. Hill

In other industrial areas served by Thermoid, there is anticipated a bright future for many of the company's industrial rubber products. This is particularly true of conveyor belting and large diameter hose. Adding impetus to demand for these products is the multi-billion dollar Federal highway project now getting underway.

In addition to the gains expected from the road building program, sales of conveyor belts are being influenced by new applications. In 1956, for example, Thermoid installed a $250,000 conveyor belt underground in a Utah coal mine. This is the only one of its type in the state. Considerable new business is expected from similar applications.

Thermoid also expects increased sales of hose and other rubber products to the petroleum industry in 1957. The middle East situation has placed on the domestic petroleum industry the responsibility for production of most of the free world's liquid fuel.

During 1956, Thermoid expanded its productive capacity of flexible molded automotive rubber hose through the acquisition of the molded radiator hose division of W. J. Voit Rubber Corp. in Danville, Illinois. This type of flexible and versatile automotive hose, in the production of which Thermoid pioneered, has proved popular with service stations and other customers because it provides for substantial reduction in inventory requirements.

Despite Thermoid's dependence upon the automotive industry for a large portion of its sales, it is estimated that the company in 1956 achieved an increase in earnings on sales which exceeded those of 1955. This showing, realized in spite of reduction in demand for original equipment by the car manufacturers, resulted from improvement in the automotive replacement field and in other divisions of the company. With all major markets for Thermoid products thriving, Thermoid Company has reason to be optimistic.

DAN W. HOGAN

Chairman of the Board, City National Bank and Trust Company, Oklahoma City, Okla.

The outlook for business in Oklahoma for the year 1957 begins with about five million acres planted in winter wheat which is now up to a good stand and in some sections is furnishing pasturage for cattle and sheep. By nature this state is adapted to agriculture and especially livestock. Its cattle activities won for it the location of THE COWBOY HALL OF FAME, the site for which has already been located. In winter wheat we rank second in the United States and since we are largely in the cotton belt, our production of that commodity is in high rank in both quantity and quality.

Dan W. Hogan

The 4-H Clubs and the Future Farmers of America for many years have won more prizes in the production and grading of livestock than any other state. Many of these boys are today leading business and professional men throughout the Southwest. Through their activities our agricultural

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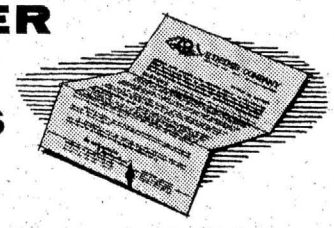
...NEW PROGRESS REPORT...

STOCKHOLDER RELATIONS DURING 1956



... Nineteen new accounts added to our roster—and a doubling of our service organization

Below is the list of new clients served by the De Witt Conklin Organization in the past twelve months:

- Aetna Standard Engineering Co.
- The American Distilling Company
- The American Laundry Machinery Company
- Century Food Markets Company
- Continental Aviation & Engineering Corp.
- Continental Motors Corporation
- Diebold, Incorporated
- Fibreboard Paper Products Corp.
- Hercules Galion Products, Inc.
- Koehring Company
- Montrose Chemical Company
- North Canadian Oils Limited
- Pacific Gamble Robinson Co.
- Pepsi-Cola General Bottlers, Inc.
- Republic Supply Company of California
- Sparton Corporation
- Thrifty Drug Stores Co., Inc.
- Union Chemical & Materials Corp.
- Williams-McWilliams Industries, Inc.

That is our Progress Report for 1956 . . . our biggest and best year. May we serve *you* in 1957?

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land has been terraced and drained to a point where we produce enough bread, meat, butter, and clothing-fiber to satisfy home consumption and a surplus which we market that would satisfy the needs of the nation of Hungary.

New and improved equipment to operate a farm costs in the neighborhood of $12 to $15 million and this outlay makes it necessary for farm units to be two and three times larger than they were in the horse and buggy days. This has a tendency to reduce the farm population and it is drifting to such government centers as Tinker Field and other government projects which are already located in this state.

The government's SBA is giving assistance to farmers and stockmen in this state which is of vital importance. With weather conditions favorable, 1957 should be a highly prosperous year.

JOHN JAY HOPKINS

Chairman and President, General Dynamics Corp.

The past year has been one of the most satisfying in the history of General Dynamics Corporation and its divisions and subsidiaries. I anticipate that final figures for the year will show that the Corporation will have achieved net sales of more than $1 billion. I am confident that sales for 1957 will be substantially greater.

John Jay Hopkins

The year 1956 also saw many new General Dynamics products emerge from the planning and testing stage into active production.

These include an array of newly developed weapons for our nation's defense, notably: the B-58 supersonic bomber, the F-102A supersonic fighter interceptor, the "Terrier" guided missile, the CHARACTRON shaped beam tube, and the nuclear powered submarines "Seawolf," "Triton" and "Skipjack."

The new "Convair 880" jet passenger plane, new developments in commercial communications equipment, electronic automation devices, nuclear research, and sound equipment for home and commercial use are among the new non-defense projects on which the Corporation's various divisions are at work. Some of these products have been under development for more than 10 years. Production of many of these items will be expanded during the coming year and new ones will be added.

As manufacturing has become more technically complex, corporations in general, and particularly General Dynamics, have come to see that to succeed they must invest men, money and imagination not only in terms of "tomorrow" but of the "day after tomorrow" as well.

Our investment in the field of research has been considerable, and the physical evidence produced thus far indicates that more new tools and conveniences for man's use are just around the corner. So many, in fact, that I believe we are entering a Scientific Renaissance which will alter, favorably, the economic complexion of the entire world.

RUSSELL J. HUG

President, General Baking Company

Cautious optimism is the dominant note on the business scene as the new year starts—a good sign and one more apt to maintain our healthy economy than either brash confidence or gloomy pessimism. The 11-year-old postwar boom may be said to have entered a leveling-off period during 1956, but momentum alone should carry it well beyond 1957, despite continued tightness of money, labor, materials and productivity.

Russell J. Hug

lag under these increasing pressures but should continue producing aggressively and expanding in all consumer market areas. The food industry, particularly, should lose no opportunity because in this one field the supply will never meet the demand.

It is in this field that continuing population increases will create ever-growing markets despite any variations in national industrial conditions; it is in this same food field that competition will become greater than ever before.

It is also in this field that the ingenuity which is so much a part of the American businessman can open new vistas by merely filling needs already existing, by creating new applications of old items in old markets and by applying the skills learned in saturated markets to new and comparatively untouched market areas.

Old, well-established food companies have the great advantage of having experienced in the past all varieties of fluctuations in the national economic picture and, having survived these variations, they can apply the lessons of the past to the plans of the future.

Despite continuously spiraling production and transportation costs, it is very possible to enhance profits to the benefit of both the corporation and its stockholders by searching for more fruitful areas into which the skills, the stabilities and investment powers of the older, individual corporation can be utilized.

During 1956, General Banking Company, as part of just such a long-range plan for growth and expansion, established itself in the constantly growing market of the West Coast by purchasing the outstandingly successful retail baking company known as Van de Kamp's Holland Dutch Bakers, Inc. We plan continued expansion of this company along with the parent company. Our entire organization is dedicated to standards of quality so high as to assure in all markets continuing consumer acceptance. This, added to our controlled expansion plans, should assure positive financial benefits in the years ahead.

This nation as a whole, with its nearly 170 million citizens, has barely ruffled the surface of its production potentials. Moreover, there is no problem nor crisis to come, short of atomic war, bigger in proportion than those which we have already met successfully. Thus, a reasoned optimism, based on a spirit of progress and fearlessness, is good preventive medicine for America's business future. Pessimism, with or without just cause, is a debilitating factor which can quietly spread from one innocuous area to all members of the industrial entity.

CROIL HUNTER

Chairman of the Board, Northwest Airlines, Inc.

Croil Hunter

All indications are that revenues from passengers, freight, mail and express will continue to show an increase in 1957 over the past year's results. Most of the airlines, including Northwest, will place in operation additional modern equipment which will mean more and better service to the public.

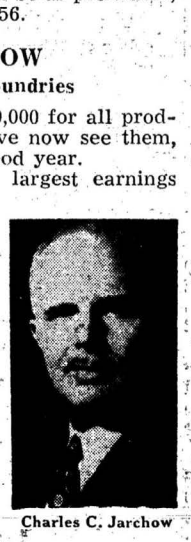
Costs will continue to rise and there will be an increase in competition. The competitive situation may prevent an increase in passenger fares but I believe an increase is necessary if there is to be a general increase in profits. All factors considered, 1957 should be as profitable, or more so, than 1956.

CHARLES C. JARCHOW

President, American Steel Foundries

Our present order backlog of $60,000,000 for all product lines, together with prospects as we now see them, makes it appear that 1957 will be a good year.

American Steel Foundries had the largest earnings in its 55-year history in fiscal 1956. Net income amounted to $8,370,614 on sales of $117,130,270 compared with net income of $3,770,371 on sales of $80,664,461 in 1955.



Charles C. Jarchow

The marked increase in earnings was the result of a substantial greater volume of shipments in all of the company's product lines. Earnings from diversification steps taken in recent years were larger than in any previous year.

We had hoped for an even better year in 1957; but it appears now that even with a higher volume of business, increased wage and material costs will make it difficult, perhaps impossible, to maintain the 1956 profit margins. The price increases which we made last August in some of our product lines did not keep pace with the cost of our raw materials (principally scrap and pig iron). Should this trend continue, it might necessitate further price increases. From a labor standpoint we are faced with cost of living increases and also general labor increases as part of our three-year labor contract.

We are hopeful that the railroad business, which represented 90% of our total volume 10 years ago, compared with less than 60% today, will be more stable in the future than it has been in the past. Such stability is indicated in a 10-year projection of railroad growth potential recently prepared by the Railway Progress Institute. The RPI forecast states that "95,000 freight cars per year is the goal that car-building facilities should be prepared to meet during the next 10 years."

Shipments of industrial chain in the earth-moving and construction industries should be accelerated by the current nation-wide plans for highway construction and the expansion of industrial facilities. Also indications are that agricultural manufacturers will become more active in 1957.

Increase in the sales of hydraulic machinery, machine tools and pipe-coating operations should be substantial too.

All of our divisions and subsidiaries are directing effort toward product improvement, development of new or refined production processes and new market possibilities. Particular emphasis is being placed upon the development of processes to improve foundry performance and products. These include open hearth furnace operations, new molding methods, new core-making processes, reduction of cleaning and finishing effort, improved material handling and extensive metallurgical development.

On the basis of present plans, capital additions in 1957 will be the largest in our company's history and may amount to about $10,000,000 as compared to an outlay of $6,000,000 in fiscal 1956.

We are continuing to pursue our diversification objective and the substantial earnings being derived from steps already taken indicate that a firm base has been established.

AUGUST IHLEFELD

President, Savings Banks Trust Company, N. Y. City

The mutual savings banks of the United States look forward to a deposit gain during 1957 about equal to the annual increase in deposits of the past two years which reached $1.8 billion. The trend of savings bank deposits is currently subject to conflicting influences.

August Ihlefeld

Rising national income fosters faster deposit growth, as does the higher rate of return paid on savings today. Increased dividend rates paid by mutual savings banks not only attract savings to them, but also add to the gain in deposits because dividends credited are so often left on deposit with the savings bank.

On the other hand, competition for savings will be more intense among financial institutions in 1957, now that the ceiling on interest rates paid on savings accounts by commercial banks has been lifted. This competition may slow down deposit growth for savings banks in some areas, particularly since their ability to compete is still artificially hampered by rigid restrictions which prevent the opening of branches in many fast growing suburban areas around cities.

Mutual savings banks may be expected to make larger investments in corporate bonds this year, since the vigorous demand for funds to finance record plant and equipment outlays lifts the yields offered by corporate issues. Real estate mortgages will doubtless continue to be the chief outlet for savings bank investment funds, but expansion of mortgage portfolios should slow down to reflect both a decline in new residential construction and more attractive alternative investment opportunities.

Funds to purchase corporate bonds will be derived not only from new deposits and additions to surplus, but also to a limited extent from a continued gradual reduction in holdings of United States Government obligations. Such holdings by savings banks still aggregate some $8 billion, or more than 25% of deposits.

By expanding their purchases of corporate securities under present conditions, mutual savings banks perform the basic economic function of directing the flow of savings to sectors of the economy where demands for new capital are strongest.

WALTER L. JACOBS

President, The Hertz Corporation

Members of the automobile and truck renting and leasing business will remember 1956 as the year that this dynamic and comparatively young industry entered the ranks of big business. It is conservatively estimated that in 1956 the industry achieved a record business volume well in excess of $350,000,000. This figure is 16% greater than the previous record high of $294,000,000 established in 1955, and it is entirely possible that the volume may reach $420,000,000 in 1957.

Walter L. Jacobs

The Hertz System alone will realize a gross volume of $109,100,000 in 1956, a figure 22% greater than the previous year's record high of $89,100,000 and an increase of 540% over the gross volume of a decade ago.

Of the several factors responsible for the phenomenal growth of the car and truck renting and leasing industry, I believe the most important is the acceptance of rented and leased vehicles by the general public and the business community. Americans have become addicted to the motor vehicle and are accustomed to having a car at their disposal at all times. When this habit is coupled with the increasing use of airplanes and fast train service between distant points, it is only natural for the traveler to rent a car at his destination. That is what is happening today.

It is our experience in company-owned operations of The Hertz Corporation that automobile rentals show the most dramatic increase in growth. Month after month, we find business volume in this phase 50% greater than the corresponding month of the prior year.

Another reason why our industry has grown is because more and more businesses are turning to the long-term leasing of the vehicles which they use in the conduct of their business. The maintenance, financing, washing, painting, and storage of company cars and trucks have posed increasingly complex problems to businessmen.

Many of these business firms are relegating such problems to companies like ours which specialize in the leasing of vehicles. Through leasing, management frees itself of unprofitable and time-consuming distractions. The capital invested in cars and trucks is released for use more profitably.

I believe the potential of the car and truck renting and leasing industry is unlimited. According to the Defense Transportation Administration, the number of cars and trucks owned and operated by rental and leasing companies have risen from 80,000 in 1950 to 260,000 in 1956. In the Hertz System, our passenger car fleets alone have increased from 6,750 cars in 1950 to 21,600 in 1956, and we expect to increase this number at least 20% in 1957.

Of the 9,000,000 trucks now on the highways of the United States, only 2% are under lease. The industry's potential in truck leasing lies in its effort to place under lease the trucks in the remaining 98%. But even at the present 2% rate the potential is still great, as govern-

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ment statisticians predict that more than 20,600,000 trucks will be in use in 1975.

The number of trucks in the fleets of the Hertz System have doubled since 1950, and we now have more than 19,000 units in lease operations.

It is my belief that this industry will continue to expand and develop and will become an increasingly vital part of the American business pattern. The business is basically sound, and offers great opportunities for all well-managed, properly financed companies in the vehicle renting and leasing field.

GEORGE C. JOHNSON

President, The Dime Savings Bank of Brooklyn, New York

The next few months will be a period of readjustment of most of the factors involved in mortgage lending and home building, but by mid-year the readjustment and policy changes probably will be completed. Factors involved include such items as interest rates, the quantity of money available for mortgages, and action by Congress and Federal agencies on terms for government-backed home mortgages.

George C. Johnson

At the Congressional and Federal agency levels, the most important constructive actions would be to permit flexible interest rates on all government-backed mortgages, lower down payments on FHA loans, and to cut the FHA mortgage insurance premium in half.

It is essential to the nation's economy that the home building industry be maintained in a sound, healthy and active condition. But this cannot be done unless adequate amounts of money are available for home mortgages, and unless mortgage terms are made easier to compensate for the higher prices of homes which have been caused by steadily increasing costs of labor, materials and land.

For the past several months, home mortgage money has become increasingly scarce because demand for funds for other purposes is at unprecedented levels. Although individuals are saving at the rate of $20 billion a year, an all-time record, this is not enough to meet all demands. Accordingly, the majority of lenders have become highly selective and are making loans where they can obtain the highest yield.

The pegged interest rates of 5% on mortgages insured by the Federal Housing Administration and the 4½% rate on mortgages guaranteed by the Veterans Administration are unrealistic and unattractive in today's money market.

The Dime Savings Bank of Brooklyn is one of the few exceptions. We are continuing to make FHA and VA loans in large volume, but we cannot meet all the demands placed upon us since so many other lenders have withdrawn from the home mortgage market.

A flexible interest rate within the framework of the FHA and the VA undoubtedly would bring a large percentage of lenders back into those fields. Competition among lenders in any given area would determine the rates charged there and would tend to hold home mortgage interest rates at realistic levels.

Likewise, mortgage terms should be made easier for all home buyers by establishing a new formula for down payments on government-backed mortgages somewhere between the 2% now permitted on VA loans and the much higher initial equity required by the FHA. This formula should apply uniformly to all American home buyers.

To compensate for higher interest rates, the insurance premium on FHA-insured loans might well be reduced from its present approximate one-half of 1% to one-quarter of 1%. This insurance premium goes into a reserve fund to meet any losses as a result of foreclosures. This fund now totals nearly $500,000,000, and, according to the FHA, is now in a position to meet such losses as might be incurred if adverse economic conditions of depression magnitude should develop.

Since government-backed loans account for about 45% of all new home construction, it is obvious that this program be kept on as broad a base as possible to insure the continued health and soundness of the home building industry. Opportunity must be given to the greatest possible number of families to become home owners.

We are confronted with a paradox. In a climate of unprecedented economic prosperity with practically every business and industry expanding enormously, the home building industry which is so basic to our economy has headed downward. It is the only major industry which has suffered because of unrealistic Federal credit and fiscal policies.

What is needed by the home building industry and all other industries in the nation is more money, not necessarily cheaper money. In fact, cheaper money probably would defeat the objective of increasing the pool of investment funds from savings because cheaper money would not provide the needed incentive for individuals to save. It must be remembered that the source of all investment funds is from the savings of the people. That is why it is so essential in providing the necessary funds for mortgage investment and other capital needs that the individual must be encouraged to save. People will not save unless there is sufficient incentive for them to do so.

B. BREWSTER JENNINGS

Chairman of the Board, Socony Mobil Oil Company, Inc.

The coming year will see the petroleum industry deeply concerned with problems stemming from the situation in the Middle East and the attendant disruption of petroleum supply to the Eastern Hemisphere, particularly Europe. These developments will be felt by the domestic industry as much as by the international companies. I believe that the oil industry will respond to the challenge with the same sense of responsibility which has distinguished it in the past.

B. Brewster Jennings

My hope is that in meeting the many and complex problems which face us we shall not forget a far larger problem which will remain even after immediate difficulties have been overcome. That has to do with the urgent need for the establishment of a moral standard based on recognition of the sanctity of contracts which will be applicable both to sovereign nations and to private parties. The universal acceptance of such a standard is essential if private capital is to continue to work for the benefit of mankind throughout the world.

In many areas, including the Middle East, private capital, contracting often with sovereign governments, has been the principal factor in the development of natural resources and trade. Private capital has already accomplished much in relatively underdeveloped areas and should be expected to accomplish a great deal more —provided, of course, that it is allowed to do so and that it can reasonably rely on contracts. Where agreements with governments are necessarily involved, respect for them is the foundation on which private enterprisers build. This, I think, must be accepted by leaders of all nations. The ability of a sovereign nation to make a binding contract, after all, should be cherished and should be regarded among newer nations as a mark of maturity and responsibility — in other words, of true sovereignty. Violation of such contracts, on the other hand, must in the end harm both the defaulting government and the very concept of sovereignty. The acceptance of this principle in 1957 would earn the year an honored place in history.

WILLIAM B. JORDAN

Treasurer, American Brake Shoe Company

It is very difficult for us to give you an outlook for "our field" because we are engaged in manufacturing for many different industries.

Essentially all of our products are required for the maintenance and operation of industrial and transportation equipment. Approximately 40% of our sales dollars comes from the railroads to whom we sell brake shoes, car wheels, bearings, switches, crossings and track specialties. All these items, as you will recognize, are replacement items. Our volume of sales of these items is dependent upon railroad traffic and not upon railroad purchases of capital equipment. The outlook for 1957 in this portion of our business is that our volume will stay approximately the same as in 1956. There may be some increase due to a general increase in the economy forecast by the majority of economic forecasters. In any event, railroad traffic probably will not decline from its 1956 level.

Approximately 20% of our products such as automotive brake lining, steel forgings, and ferrous and non-ferrous castings go to the automobile and farm equipment industries. Here we look for continued recovery in the farm equipment industry and an automobile production year of approximately 6,500,000 vehicles. About 50% of our sales to the automotive and farm equipment industries is represented by products for original equipment, and 50% by products for replacement.

Generally speaking, about 20% of our sales consists of manganese steel castings, alloy iron castings and alloy steel castings for the machinery, mining and construction industries. Here, due to the large road-building program and to the further development of Taconite ore, we look for an increase in sales volume during 1957.

Continued on page 84

The Second National Bank

Ashland, Kentucky

Statement of Condition As of December 31, 1956

ASSETS

Cash on Hand and Due from Banks	$8,715,692.64	
United States Government Securities	9,969,160.02	$18,684,852.66
Public Housing Authority Securities	$ 655,909.45	
Federal Agency Securities	1,743,365.63	
Municipal Securities	1,048,304.24	
Corporate Securities	59,639.75	3,507,219.07
Total Cash and Securities		$22,192,071.73
Stock in Federal Reserve Bank		48,000.00
Loans and Discounts		11,333,616.04
Bank Building	$ 407,090.07	
Real Estate Acquired for Future Expansion	65,000.00	
Furniture, Fixtures and Equipment	1.00	
Total Fixed Assets		472,091.07
Other Assets		101,536.37
Overdrafts		1,507.73
TOTAL ASSETS		$34,648,822.94

LIABILITIES

Deposits		$32,087,129.35
Reserved for Taxes, Interest, Etc.		33,000.00
Other Liabilities		25,555.42
Capital Stock	$ 700,000.00	
Surplus	900,000.00	
Undivided Profits	324,050.50	
Capital Funds	$1,924,050.50	
Loan Valuation Reserve	578,987.66	
Total Capital Funds and Reserves		2,503,038.16
TOTAL LIABILITIES		$34,648,822.94

OFFICERS

JOHN C. C. MAYO, Chairman of the Board
L. M. CAMPBELL, President
F. PAUL WILLIAMS, Executive Vice-President & Trust Officer
BOONE LOGAN, Vice-Pres. and Cash. E. W. SEATON, Vice-President
S. G. CLICK, Vice-President C. E. PICKLESIMER, Asst. Vice-Pres.
PAUL GRUMBLES, Asst. Cash. and Tr. Off. JOSEPH C. KING, Assistant Cashier
FORD DIXON, Auditor

Member Federal Reserve System and Federal Deposit Insurance Corporation

CONDENSED STATEMENT

CITIZENS FIDELITY BANK AND TRUST COMPANY

Louisville, Kentucky

December 31, 1956

RESOURCES		LIABILITIES	
Cash and Due From Banks	$ 84,943,495.27	Deposits	$250,953,252.64
U. S. Government Securities	65,124,354.37	Dividend Payment January 2, 1957	180,000.00
Federal Reserve Bank Stock	435,000.00	Reserves—Taxes, Interest and Expenses	1,813,722.51
Other Bonds and Securities	8,497,182.38	Interest Collected but not Earned	1,247,201.15
Loans and Discounts	110,612,865.12	Letters of Credit Issued	1,203,962.24
Interest Earned but not Collected	526,238.55	Capital Funds:	
Furniture and Fixtures (All Offices)	1.00	Capital Stock $ 4,500,000.00	
Real Estate	1.00	Surplus 10,000,000.00	
Customers Liability — Letters of Credit	1,203,962.24	Undivided Profits 1,450,582.09	
Other Resources	5,620.70		15,950,582.09
	$271,348,720.63		$271,348,720.63

Our Trust Department holds in excess of $160,000,000.00 in Personal Trust Properties which are not included in this statement.

CITIZENS FIDELITY BANK & TRUST CO. LOUISVILLE

Since 1858 — Kentucky's Leading Bank

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION • FEDERAL RESERVE SYSTEM

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Continued from page 83

Perhaps the greatest increase in sales in our company will be in the sales of our Denison Engineering Division which produces hydraulic pumps, motors, valves, controls and hydraulic presses for the aircraft, machine tool, petroleum and all light manufacturing and assembly industries. The growth in the hydraulics field, due to current demands for automation, is very pronounced.

At present rates of interest we are not planning any curtailment in our capacity expansion programs or in the development and production of new products. We expect that money will continue to be tight, but there will be adequate supply for prime names. We do not look for the cost of money to have any appreciable effect in respect to industrial expansion over all which of course could curtail our own sales of industrial products and indirectly our transportation products. Our own capital additions in 1957 will be approximately 75% larger than they were in 1956.

ALFRED G. KAHN

Chairman of the Board, Union National Bank of Little Rock, Arkansas

The outlook for banking and for general economic progress in this area during 1957 seems on the whole quite favorable. Although there is no promise of much growth, if any, in general deposit levels so long as present interest rates invite many of our patrons to invest surplus funds rather than leave them on deposit, there are favorable features to offset this situation. As the Southwest—and Arkansas in particular—becomes more highly industrialized, the peaks and valleys of loan demand and of volume of deposits which were produced by a great dependence on a one crop agriculture have tended to level off. Earnings are more stable. High interest rates should help keep them satisfactory this year.

Alfred G. Kahn

Here in Arkansas, although we are still woefully lacking in sufficient industrial development to balance our agriculture and to use its products, we are making great headway towards this objective. Under the leadership of a very capable and active state industrial committee, 1957 should see an acceleration of that process. We have a cooperative state administration dedicated to the program.

Therefore, short of a national or an international setback, the local prospects for a year of prosperity are bright. Of course sooner or later, and perhaps in 1957, there must be at least a corrective economic set-back. We must all hope that, when it comes, it will be permitted to bring about the correction without improper and harmful political interference.

DWIGHT P. JOYCE

Chairman of the Board and President, The Glidden Company

The year 1957 may well be one of the most significant and rewarding in the 39-year history of the Glidden Company.

By the end of this year, Glidden will have largely completed its greatest expansion of production and research facilities.

Dwight P. Joyce

The company's first 20 years witnessed the establishment of the basic framework for the production of paints, chemicals and food products under which we operate today. The next 19 years marked a period of development, diversification and consolidation. We are now in a new phase of plant expansion necessitated by the introduction of new Glidden products and steadily expanding markets for existing products.

By the end of 1957 the Glidden Company will have invested more than $40,000,000 in a three-year expansion program. Cost of the program is substantially greater than the amount invested for expansion in the entire 10 years prior to 1955.

In large part this program has been created by the achievements of our research and technical organizations in developing new products and new markets.

As an example, the continued development of new consumer and industrial paints to meet specific requirements opens up new and financially profitable markets in rapid order.

A few years ago Glidden's introduction of Spred Satin —the world's first latex emulsion paint—revolutionized the interior home painting business. Less spectacular but no less important and gratifying has been the enthusiastic response to our recent introduction of Nubelon industrial finishes which provide maximum heat and grease resistance for metal applications. Also stemming from our intensified paint and resin research program has come Glidpol polyester resins, used extensively in the growing reinforced plastics field.

In our Durkee Famous Foods Division, Paramount hard butters which we produce for chocolate and other confection coatings have made us leaders in that field, so that today Glidden is the nation's largest supplier to the prepared cake mix and other bakery mix manufacturers.

The Chemurgy Division, which creates a variety of industrial products from farm crops, has developed Alpha Protein, the first pure protein chemically isolated from the soybean ever to be produced on a commercial scale for industrial use. It is used as a direct substitute for casein and is important to the plywood and paper industries as a superior adhesive agent. Glidden is alone in the production of this material, and our output of Alpha Protein for 1957 is virtually sold out.

In our Chemicals-Pigments-Metals Division we have pioneered in the development of Cadmolith red and yellow pigments which are non-fading, non-bleeding, alkali resistant and extremely heat-resistant. The result has been a spiraling demand for these products.

Meanwhile, the outlook for 1957 in Glidden's Southern Chemical Division, which produces a wide variety of turpentine-derived compounds and other chemicals, indicates another excellent year.

In addition to these examples, there are many new products being developed by our 22 research laboratories, some of which are undergoing final tests prior to their introduction into the consumer and industrial markets.

Of increasing importance also in the coming year will be the steady expansion of our overseas markets, especially in the Caribbean, South American and Japanese areas.

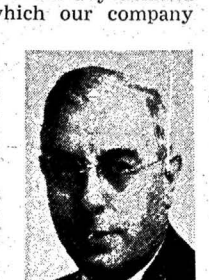
All in all, 1957 should be one of the most productive and profitable years in the Glidden Company's history.

FRANK R. S. KAPLAN

Chairman of the Board, Copperweld Steel Company

During 1956, Copperweld Steel Company attained the greatest sales volume in its 42-year history. Approximately $100,000,000 in sales reflected the heavy demand for the high-quality products in which our company specializes.

Earnings per share of common stock should be about $4. With the payment of quarterly dividends of 50 cents per share in 1956, Copperweld has maintained consistent dividend payments in every quarter for a period of 21 years.


Frank R. S. Kaplan

The company's achievements in 1956 were realized in a setting of general national prosperity and a high level of industrial productivity. Copperweld has always sought to consolidate and better its achievements by a program of continuing research and development of new products to maintain its enviable position.

High production and new products were keynotes at all company divisions. And especially so at the Wire and Cable Division, Glassport, Pa., where the pent-up demand for copper-covered steel products—created by the world-wide copper shortage in 1955—was satisfied and all normal production demands met.

Sales of communication line wire were particularly high. New products for the booming telephone industry include insulated line wire, both single and paired, and Copperweld self-supporting telephone cable which completed its trial period and became an accepted product during the year.

In the power utility field, sales of self-supporting cables, guy strand and overhead ground wire have been very substantial. Copperweld wire and strand continued to serve industry's needs for strong, corrosion-resistant conductors, guys and messengers in connection with overhead lines.

A new copper recovery plant—for treating rolling mill cooling water — was put into operation at Glassport during the year. A new rod mill project which will produce much larger rod and wire coils is due for completion during the first half of 1957.

Operations at our Steel Division, Warren, Ohio, were maintained during the summer months when many steel companies were closed down by the steel strike. The year saw substantial progress made in a betterment program designed to further enhance quality, reduce costs and improve customer service.

The Steel Division's share of the $12,000,000 modernization and expansion program is being applied, in part, to the installation of a 35-inch reversing motor-driven blooming mill and a 20-inch continuous billet mill. The blooming mill is scheduled for completion during the second quarter of 1957 and the 20-inch continuous billet mill will be installed by mid-year. The first battery of two three-hole soaking pits is expected to be in operation during the second quarter of 1957. The year 1956 saw the culmination of the melt shop improvements and the enlargement of one of its electric furnaces. Enlargement of the second furnace will be finished during the third quarter of 1957. When the program is completed, melting capacity will be increased to 660,000 tons per year which, with the additional rolling and finishing facilities, will broaden the product range.

Shipments of the Ohio Seamless Tube Division have been maintained at a consistently high operating level without being materially affected by the reduced demand for products of the automotive, appliance and farm equipment industries served by this division. Actually, a record-production month was attained during June, 1956 when the output exceeded the previous record-month by 9.25%.

Productwise, 1956 saw national recognition gained for Ohio NP-60, a new grade of seamless steel tubing with improved machinability characteristics. Additional annealing and other finishing facilities currently under construction will provide a broader product line upon completion early in 1957.

Tempo of operations at the Flexo Fine Wire Division was increased in 1956 in response to the greater demand for the wire and cable products manufactured by this division. A revised plant layout, expediting material movement and utilizing manpower more efficiently, helped to step up production.

This division is planning to enter new markets for silver-plated Copperweld constructions and copper and Copperweld cables of heavier current-carrying capacities. This will be made possible as a result of new methods, processes and equipment either installed or planned.

The easing of the copper shortage has enabled the Wire and Cable Division to increase its allocations to foreign markets sold through the Copperweld Steel International Company and reduce its backlog of export orders from all over the world. Export shipments in 1956 almost doubled those of 1955 and were made to a total of 62 foreign countries.

One of the company's achievements in 1956 was the award by Financial World of a coveted "Oscar" to Copperweld Steel Company for the best annual report on its classification.

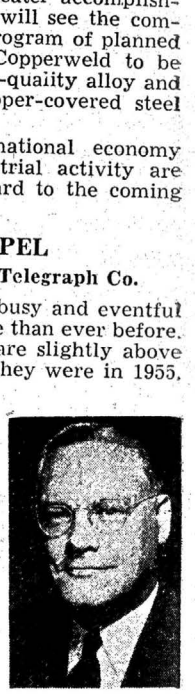
All of these elements helped to make the past year one of the most distinguished in the company's history. Nevertheless, I believe that 1956 may ultimately be defined as a stepping stone to yet greater accomplishments. Of the immediate future, 1957 will see the completion of the company's $12,000,000 program of planned growth and modernization enabling Copperweld to be of still greater service to users of high-quality alloy and carbon steels, mechanical tubing, copper-covered steel wire products and fine wires.

Provided the underlying strong national economy and the related high level of industrial activity are maintained, our company looks forward to the coming year with optimism.

FREDERICK R. KAPPEL

President, American Telephone & Telegraph Co.

The Bell System had an extremely busy and eventful year in 1956. We provided more service than ever before. Earnings of the System for the year are slightly above $13 per share of A. T. & T. stock, as they were in 1955. A. T. & T. share owners received rights to purchase one new share of stock at par, $100 a share, for each 10 shares held.


Frederick R. Kappel

The growth in telephones of more than 3,200,000 about equalled the previous high in 1946 and long distance conversations increased nearly 10% over the previous 12 months. To meet the public's needs and modernize service further, the System expended more than $2.2 billion for construction and obtained more than $1.3 billion of new capital.

We expect our business to continue its vigorous growth, with corresponding need to construct more new facilities and raise additional capital. The new and improved plant we are building makes telephone service ever more attractive, more valuable, and more pleasant to use. As one example, some two and a half million telephone users can now dial calls directly to many areas all across the country. This is a five-fold increase in the last 12 months and we plan to extend direct distance dialing much further in 1957.

Continuing progress depends, however, on satisfactory earnings. These are essential to assure fair treatment of share owners, successful financing, and improving service.

In common with other businesses we are experiencing higher costs of construction and operation, including higher wage costs.

Telephone rates need to be increased in many areas, and the Bell companies now have applications pending for rate increases totaling $132 million annually. The companies are vigorously pursuing this program with the various regulatory commissions, who we are sure will meet their responsibilities in making possible the new facilities and the wider and more useful service which the country needs and deserves.

W. C. KEELEY

President, Vanadium Corporation of America

Despite a month long strike, the steel industry in 1956 chalked up a near record production of 114,000,000 tons. Except for the strike, steel output easily would have exceeded 117,000,000 tons turned out in 1955. As a harbinger of the future, 1956 steel production was significant in that operations during the final months of the year were at their peak. At the year end also, the market for many steel items such as plates and structurals was tight and the backlog of orders to be filled in 1957 was high.

W. C. Keeley

The outlook for the industry in 1957 is brightened by increasing demand for steel products which will arise from the nation's unprecedented road building program as well as substantial industrial outlays for capital goods. Apart from the caution occasioned by tight money, there is very little in the current outlook for the steel industry to warrant pessimism. The increasing demand for steels of

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all type will be reflected in greater need for ferro alloys with which to produce the special steels needed by today's technology. As a foremost supplier of ferro alloys, Vanadium Corporation of America expects to participate in the growth contemplated for the steel industry. Last year, Vanadium Corporation of America undertook the latest phase of its postwar expansion program. Plans call for the construction in 1957 of two units of a three-unit ferro alloy plant in Jefferson County, Ohio. This new plant, which is close to the center of the general distribution area for Vanadium products, will be the third largest and most modern of all Vanadium facilities. Initially, it will produce ferro chromium, silicon and silicon alloys.

In 1956, Vanadium Corporation of America enjoyed a good year. Sales reached a new peak and net income exceeded that achieved in 1955, despite the steel strike. Operations at the company's Niagara Falls plant during the last half-year reflected the loss of the plant's source of low cost hydro-electric power destroyed in a rock slide on June 7.

Vanadium's prospects for 1957 are brightened not only by anticipated record steel production, but by optimistic forecasts for other industries served by the company. The aluminum industry, for example, has expanded production sufficiently to be able to meet demands for the first time since the war, and is now developing new uses for the light metal. Chemicals, another industry served by Vanadium, promise continuing demonstration of dynamic growth.

Vanadium Corporation of America is also vitally concerned with the rapidly developing atomic energy programs, by virtue of its role as a foremost miner and miller of vanadium-uranium ores on the Colorado Plateau. While current production of uranium products is by law consigned to the Atomic Energy Commission, widespread commercial use of atomic energy is growing.

Barring unforeseen events, the coming year should see increased business for the economy in general and for the ferro alloy industry in particular. The restraints imposed by a tight credit policy do not appear likely to dampen healthy growth of the economy.

Vanadium Corporation of America has indicated its faith in the economy by proceeding with is accelerated expansion program. It looks for a very satisfactory year in 1957, despite heavy capital outlays and necessary start-up costs at its new plant.

HOWARD KELLOGG, JR.

President, Spencer Kellogg and Sons, Inc.

A sufficiency of flaxseed and soybeans, two of the main segments of the vegetable oil industry, has created a healthier atmosphere than has existed over the past several years. Following government controls, including high support prices on raw materials and end products, during the years immediately succeeding World War II, profits of the industry were relatively large. The picture of such a return, presented an inducement for newcomers to enter the field and for existing processors to add to their facilities. The ensuing years reflected an overexpansion of crushing units, with a deficiency in raw materials availability and demand for the finished products. This was especially true in soybeans. This year the supplies are not overly burdensome and crushers can be assured of capacity operations plus a wholesome demand for their products. In cottonseed, the reverse is true as to supply, stemming from government controls to curtail acreage planted to cotton and to reduce heavy inventories. While the program is beneficial in the long run, the immediate result is impairment of crushers' profits. It is hoped that eventually this burden will be lifted.

H. Kellogg, Jr.

New products emanating from the field are centered mainly in industrial rather than edible lines. Adhesives, paper coatings and protective coatings are using greater quantities of refined linseed, soybean and castor oils, developments of the huge research centers of the oils industry. Linseed oil as a weather-proofing compound, oil base paints used for water-thinned finishers and soybean oil as an organic coating material are a few new items added to the long list of achievements accomplished by our researchers. Soybean flour is becoming an increasingly large ingredient in our dietetic breads. Poultry and other livestock are feeding on a specialty soybean meal, a product rich in protein and low in fiber, which is obtained from dehulling the bean. Degossypolized cottonseed meal has found acceptance for poultry feeding, where ordinary cottonseed meal was barred several years ago. Soybean oil has become the accepted base in the large and still-growing field of alkyd resins.

The industry is a live and vital segment of our economy. Most of its products are essential and few, if any, are in the luxury class. Thus the ordinary vicissitudes of business cycles are less extreme in vegetable oil processing than in the economy as a whole. While profits are low in terms of investment and dollar sales for the basic products, large volume and an increasing amount of specialized items are providing the industry with a fairly reasonable return. Improvement is necessary in some lines but I feel confident that it will be attained through the perseverance and ingenuity of the leaders in our field.

DONALD S. KENNEDY

President, Oklahoma Gas and Electric Company

Oklahoma's business outlook for 1957 continues on an optimistic level. All basic sources of production and income are expected to show good increases for the year. Manufacturing expansion will continue with over 100 new industries started in the State during 1956, and many established industries are expanding their facilities. The agricultural economy, which has suffered from drought and low prices, is expected to show improvement with higher farm prices. The construction industry will gain impetus from the highway program and residential building should continue at a healthy pace. The petroleum industry will be stimulated from demands created by the Middle East crisis. All of these economic forces are expected to increase retail trade to new high levels. Therefore, the business picture in Oklahoma continues to be bright.

Donald S. Kennedy

Our own company's faith in the future of this area can be measured by our construction budgets. During the past five years, OG&E has spent approximately $100 million on new facilities, or an average of $20 million a year. During the next three years, we expect to spend an average of approximately $30 million a year. In other words, we expect to spend about as much within the next three years as we spent during the past five years. These expenditures will include 420,000 kw. of new generating capacity and related transmission facilities, larger operating headquarters in several divisions and an additional six stories to our General Office building at Oklahoma City.

A number of new industrial plants are under construction or planned in our service area. These include the following:

Construction has already started on the new Tantalum Defense Corporation's plant on the Arkansas River near Muskogee, Okla. This plant will produce metal powders and ingots of tantalum and columbium, two rare metals, through electrochemical and related processes rather than by smelting. In breaking ground for the plant, Dr. Frank H. Driggs, President of Fansteel Metallurgical Corporation and sole owner of the Tantalum Defense Corporation, stated that abundant supplies of water, electric power and natural gas played a major part in decision to locate this plant at Muskogee.

The Callery Chemical Company, which will produce a high energy solid fuel for Navy jet planes, is likewise under construction near Muskogee. It is anticipated that this project will have a demand of 65,000 kilowatts within the next five years and will ultimately employ 1,000 people. This represents a $35 million construction project.

Among the expansions now taking place may be listed such prominent names as Container Corp. of America, Ideal Cement Co., Aero Design and Engineering Co. (manufacturer of President Eisenhower's six-place personal plane), Ralston-Purina Co., Sylvania Electric Products Co., Pillsbury Mills, Hazel-Atlas Glass Co., Dixie Cup Co., and many other nationally famous concerns.

The fact that the average residential consumption of electric energy in Oklahoma is lower than that in many other parts of the country provides a substantial field for expansion and a fruitful goal for the power sales organization. As an example, the saturation of electric ranges is only about 10%; room air conditioners, about 22%; electric water heaters, less than 1%. Although natural gas in this locality presents greater competition to electric service than in many other places, more and more customers are accepting electric cooking and water heating as the normal mode of life. This is true because of the approaching convergence of prices of the two services and the superior cleanliness, comfort and safety of electrical living.

J. P. KILEY

President, Chicago, Milwaukee, St. Paul and Pacific Railway Company

For the most part, the volume of traffic on The Milwaukee Road follows along with the trend of the general business picture throughout the country inasmuch as its traffic is fairly well diversified. Special conditions arise, however, which may affect one commodity group more than another. Over-all, I expect an increase in freight traffic volume over the year of from 3 to 5% with the first half being slightly better in comparison with the similar period of 1956 than the second half.

John P. Kiley

In products of agriculture, with a lower grain crop in our area in 1956 and much of it going into farm storage, about the same movement of wheat is expected in 1957 as in 1956, although, if the 1957 crop is better than average, there will be some increase; a 10% decrease in corn is expected, but a 15% to 20% increase in other grains is probable.

In animals and products, dry range conditions in 1956 forced heavy marketing of livestock and a decrease in movement from the range states in 1957 is anticipated. About 35% more cattle are being fed in the Corn Belt than a year ago, and more will be moved to market in the next few months than a year ago. An increase in the movement of hogs is expected. Movement of meat and packing house products should show a small increase.

In products of mines, an increase in tonnage of coal is expected of about 5%, with increases in sand and gravel of about 10% on account of road construction. Increases are also expected in shipments of ore partly because of the steel strike in 1956. Some decrease in coke movements is expected due to local conditions.

In products of forests, the situation appears to be mixed. At the present time, the market on lumber, shingles, and other products of forests is low, and a decline in home building in 1957 is predicted. Plywood is still very much in demand and its movement is increasing steadily. I predict this company's traffic volume

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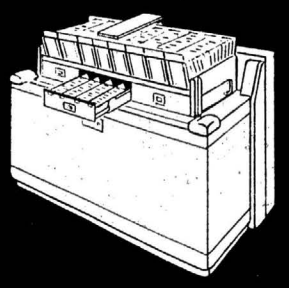

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COMPARATIVE STATEMENT OF CONDITION
of the
Brookline Savings and Trust Company
as of December 31, 1955 and December 31, 1956

	Dec. 31, 1955	Dec. 31, 1956
ASSETS—		
Cash and Due from Banks	$ 2,571,654.08	$ 2,688,892.83
U. S. Government Bonds	4,391,773.19	4,675,447.03
Other Bonds and Securities	2,104,733.03	2,379,657.88
Loans	13,672,697.71	15,773,815.97
Mortgages Owned	1,263,737.76	1,358,595.90
Bank Building and Fixtures	419,212.61	406,580.72
Other Assets	46,575.78	47,868.53
	$24,470,384.16	$27,330,858.86
LIABILITIES—		
Deposits: Dec. 31, 1955 Dec. 31, 1956		
Demand $ 9,072,307.97 $10,384,322.47		
Time 11,982,128.81 13,090,370.63	$21,054,436.78	$23,474,693.10
Official Checks Outstanding	179,011.52	228,724.99
Other Liabilities	53,184.15	67,233.69
Reserve for interest collected but not earned	802,474.29	901,233.99
Capital:		
Common Stock	500,000.00	500,000.00
Surplus	1,600,000.00	1,750,000.00
Undivided Profits	281,277.42	408,973.09
	$24,470,384.16	$27,330,858.86

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will not decline in the expectation of greater participation in the over-all movement.

In manufactures and miscellaneous, increases are expected in most major commodities, such as iron and steel products, agricultural implements, automobiles, machinery, cement and canned goods, with movement of gasoline steady.

There were gains in passenger traffic in 1956 aside from new traffic resulting from joint operation of the Overland Streamliners with the Union Pacific and Southern Pacific trains since Oct. 30, 1955. Some reduction in passenger revenue is expected as unprofitable train service is eliminated.

Net income for 1956 will fall short of equaling the net income of 1955, which included a non-recurring item of $2,660,951, representing interest on refund of Federal taxes on income, amounting to $8,921,203, applicable to the years 1942 to 1947. Net income for 1957 should be more than 1956 if the expected volume of traffic materializes. The increase in freight rates granted by the Interstate Commerce Commission in Ex Parte No. 196, effective March 7, 1956, failed to meet the revenue needs resulting from wage increases and fringe benefits which became effective Oct. 1 and Dec. 1, 1955, and unemployment compensation tax rate increase, effective Jan. 1, 1956, to the extent of about $2,500,000 for the year 1956. The wage increases granted, effective Nov. 1, 1956, to nonoperating employees and to the firemen, if granted to the other operating groups, will amount to about $8,500,000 annually. The increase in freight rates authorized in Ex Parte No. 206 will be about adequate to meet increases in wages but they will be insufficient to meet emergency needs resulting from new expenses for payroll taxes, fuel, material and supplies, and other items. It is imperative that the Commission authorize the additional increases sought in the so-called 15% "rate of return" case as a means of boosting the financial stability of the railroads and to provide funds for more capital improvements.

ALLEN S. KING

President, Northern States Power Company

In the territory served by Northern States Power Company, the upward trend in business and industrial activity that began at mid-year 1955 continued throughout 1956, and present indications are that the trend will continue through 1957. As measured by electric and gas sales of Northern States Power Company, residential customers continued to increase in numbers as the result of new home construction; and commercial and industrial kilowatt-hour sales moved upward at a steady rate, reflecting the expanding business activity of the area.

Allen S. King

Electric residential customers showed an increase of about 14,500 or about 2.8% exclusive of territorial acquisitions. The increase in residential customers was nearly the same as in 1955, indicating that the volume of new home construction is being maintained at almost the level of the preceding year. Residential kilowatt-hour sales maintained about a 9% annual growth as a result of additional customers and the increasing use of electricity in the home. Although residential construction in 1957 may decline somewhat from 1956 levels, it is anticipated that NSP will continue to show substantial gains in residential sales.

Kilowatt-hour sales to manufacturing establishments were up 12% over 1955. Increased manufacturing activity, the establishment of new plants, and the continuing rise in use of electricity brought about by automation were factors contributing to this increase. Our Area Development Department reports that in the last 18 months there were 215 cases of the establishment of new industries or the substantial expansion of present industries in the NSP service area with an addition of over 5,000 new employees.

The non-manufacturing category, which includes office and business buildings, department stores, theatres, hospitals, schools and the like, also used 12% more electric energy in 1956 than in 1955. The construction of large shopping centers and the completion of additions or modernizations of numerous office buildings were contributing factors to the non-manufacturing industrial kilowatt-hour sales increase.

The volume of gas sales increased 17% in 1956 over 1955, reflecting the further development of space heating sales, and the colder heating season, involving a 7% increase in degree days over the previous year. In 1956, 6,900 additional gas space heating installations were made compared to 8,951 in 1955.

To take care of the increase in electric loads and to provide for the anticipated growth in the coming years, the company placed in service another 100,000 kilowatt generating unit at its High Bridge plant in St. Paul. This brought the NSP system generating capability to 1,474,165 kilowatts. The system peak (simultaneous) for 1956 was set on Dec. 17 when the demand reached 1,171,495 kilowatts, which was 6.7% greater than the peak of a year ago.

Operating revenues of NSP for the year 1956 will total $139 million, representing a 10% increase over 1955. Earnings for the year 1956 will amount to $1.20 per share on the 14,089,328 shares outstanding compared with $1.16 per share for 1955 on the 13,418,408 shares then outstanding.

The company's construction expenditures for 1957 are estimated at $43 million. This includes some $2 million of estimated initial expenditures for the 156,000 kilowatt generating unit for High Bridge station that is scheduled to be placed in operation in 1959. This is part of a four-year construction program totaling $200 million. The long-range planning of construction expenditures of Northern States Power Company reflects confidence in a continuance of stable growth of the economy in the area. These long-range plans involving expenditures of this magnitude are necessary in order that NSP may at all times be able to supply the steadily growing demand for its utility services.

MAXWELL C. KING

President, Pacific Finance Corporation, Los Angeles

The two most important topics during the past year, from the standpoint of a company engaged in the granting of consumer credit, have been "tight" money and auto sales. Since our operations include automobile sales financing and consumer loans, we were deeply enmeshed in both.

Maxwell C. King

There are many varying opinions on "tight" money. At Pacific Finance, we do not consider the present situation a catastrophe in any sense of the word. The extent to which the money situation affects our profits depends directly on how well we manage this money. "Tight" money creates problems, of course, but it has its compensations, too. The overall conditions in our economy which generated the "tight" money situation are conditions which affect our business favorably. These are full employment and ascending purchasing power—a total prosperity. When you have full employment plus a lot of overtime plus the sort of stable used car market we have been enjoying, you also have a low level of credit losses.

In addition, when you face a limiting factor like tight money, it can have a very healthy effect on the tone of your entire operations. You sharpen up—all along the line. You re-examine all your practices and you begin to get more critical and more selective. All this is to the good.

As everyone is aware, we have already had four increases in the prime rate in the last two years, and I think that it is generally felt that the pressure for higher interest rates are stronger than the pressures to let the present rate stand. Faced with these cost increases, we attempt to pass it on to our customers to whatever extent we can. In the field of sales finance, this is possible—within the realities of the competitive situation. In our consumer loan operations, the situation is somewhat different. In almost every state in which we do business, regulations impose a ceiling on the rates which can be charged for consumer loans. Obviously, our cost increases cannot be passed on to the customers. On the other hand, our consumer loan division has been greatly expanded in the past few years. We now plan to consolidate this expansion, hold operating expenses at present levels and concentrate on increasing the operating income of existing branches. Through this program and with the size of the average loan balance increasing in this expanding economy, we expect increased earnings that will more than offset the increase in money cost.

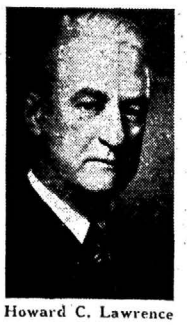
Each of the companies in these fields of business is facing the same problems and each will seek somewhat different answers to them. One favorable factor is a probable increase in auto sales during the coming year. While there are negative factors regarding sales, such as slightly higher prices, lack of trading equity on the part of late 1955 buyers and tight money, these can be more than offset by the extensive style changes and the steadily increasing use of credit.

All in all, 1957 should be another good year for our industry.

HOWARD C. LAWRENCE

President, Grand Rapids Varnish Corporation

All predictions of the future are based on experiences of the past. The prosperity of 1956 was generated by certain forces which continue to offer promise for the months ahead. There seems to be a consensus among our economists that the business outlook for 1957 is good. But while the outlook generally is for a high level of business activity there is also every evidence of a continuing upward pressure on costs. On the whole this situation points to a volume of business in 1957 equal to or greater than that of 1956 but which will be transacted at narrower profit margins.



Howard C. Lawrence

There are factors which if they become a reality would readily change a normal or anticipated pattern in our economy. One such is a major military conflict. Another is acceleration of inflation. The expected increase in spending in comparing 1957 with 1956 will push upward the gross value of new goods and services produced in the United States by a substantial figure. While this picture of full employment and expanding production is encouraging, it also poses a real danger which is further inflation. There is a definite need for monetary and fiscal policies which will assist in curbing spending and holding it within the bounds of our productive capacity.

Our business is relatively small and in addition to the product of our plant which is measured in gallons, we supply an advisory and technical service to our customers which is definitely of advantage to the users of our products. We have enjoyed a relatively satisfactory and uniform increase in our sales volume over the past decade. The year 1956 exceeded 1955 in this respect by 10%. We are anticipating an increase in volume of at least the same percentage when we compare 1957 with 1956. We are relying, however, upon an aggressive sales policy to accomplish this objective rather than depending solely upon the movement of the economy of our trade area. Of course it will be a combination of the two factors which will result in our advanced gross sales if the year proves to be as satisfactory to us as we anticipate it should be.

At the moment we find that nearly every product that we purchase in the form of raw materials for use in our production has had either a recent price increase or is facing an impending advance in price. While we hope to recover a portion of this added cost, we are reconciled to the necessity of handling a larger volume in 1957 in order to maintain a gross profit margin equal to that of 1956.

To return to generalities it can be added that for some years past increase in production has far outdistanced advance in employment. It is inevitable that, stimulated by technology and business management, these trends will continue. Labor forces in part will have to be channeled into other occupations. This will call for enlarged activities in education and training. These changes cannot take place without creating problems during the transition period. Economic fluctuation and unemployment are not solely a matter of the past. They are a threat to the future. They can be met by proper action. This is one of the challenges which we face and which requires clear thinking and advance planning.

ALLAN P. KIRBY

President, Alleghany Corporation

I can only say that the opinion which I expressed to you under date of Dec. 15, 1955, is by continual events more or less confirmed by what I wrote you at that time. The correction I would make to my 1955 statement is to say that we can have another debacle such as we had in 1929 to 1932, which, in my opinion, will come to pass unless the present-day labor monopoly is brought under control by the government in the near future. Failure to do this, I believe, can and may result in our ending with a socialized economy.

Allan P. Kirby

FRED LAZARUS, JR.

President, Federated Department Stores, Inc.

We at Federated like to keep our forecasts conservative. This preference becomes especially marked when we deal with a period like 1957. We are not sure about trends in the last half of the year. Therefore, prudence dictates caution in forecasting the first half. This is what we see for department store business, in the first half of 1957:

Fred Lazarus, Jr.

We believe **consumer disposable income** will continue to increase moderately at least until the middle of 1957.

We expect **department store sales** to increase about 3 to 5% during what we call the spring season, which is Feb. 1 to July 31, 1957. The spring of 1956 was a sluggish period; therefore, this gain over last spring calls for no very spectacular performance. Federated has usually run somewhat ahead of the industry average. Because of this and because its sales will be increased by those of Burdine's in Miami, which did not join Federated until the end of July, 1956, Federated's figures will be substantially higher.

Among the broad **categories of merchandise,** fashion apparel and accessories probably will continue to show good gains this spring and, as the wave of post-war youngsters moves up an age bracket, apparel sales for boys and girls 11 to 12 years old will increase.

Because new housing starts were fewer in 1956 than in 1955, home furnishings of all kinds will not contribute as importantly to the 1957 sales increase as they did in 1955 and early 1956. Hard lines may even show smaller increases than soft goods.

As to **prices,** there has been a tendency in some hard and soft goods lines toward small advances by manufacturers due to wage increases.

Deliveries today are very prompt, and we see no sign of the kind of inflation that grows out of scarcities. Quite the contrary.

Inventories going into the spring season may be a little on the heavy side but still within manageable limits. Good Christmas sales reduced what could have been a troublesome year-end inventory problem.

In all probability, half or more of spring's gain in dollar volume of sales will be due to the small price increases and to the trend among consumers to trade up—that is, to buy higher quality merchandise. Therefore, if sales in dollars gain 3 to 5%, the number of units sold, or tonnage, will increase very little.

If the physical volume of goods moving into consump-

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tion increases only slightly next spring, will production outrun consumption temporarily? Our plant capacities have been substantially expanded in 1955 and in 1956. There seems to be a sound consumer demand for the goods the plants make, backed up by rising personal incomes.

To move the output of the enlarged plants to the consumers, however, requires, according to today's processes, a substantial amount of consumer credit. The users of this credit seem to have handled it in a responsible fashion, but some financial authorities question its volume.

Will the necessary consumer credit continue to be available? In other words, will there be enough fiscal and monetary support for a larger national output and consumption, or must both the demand and production accommodate themselves to a limited money and credit supply? If this occurs, a lower standard of living must result because of our substantially increased population. That question may come into sharp focus in the first half of 1957.

EDMOND H. LEAVEY

President, International Telephone and Telegraph Corporation

For the first time since the end of hostilities in Korea, it is likely that the course of business here and abroad for the next 12 months will be determined more by political than by economic decisions, more by international than by national developments. Caution is therefore incumbent upon the business community, as it seeks to chart its course for another year; but I see no reason for pessimism.

Edmond H. Leavey

We know that recent events in the Near East and Central Europe have set in motion forces that are even now affecting all of us. Production plans in both hemispheres must, to a greater or less extent, reckon with possible shortages of material, dislocations of trade, and increased costs that, a year ago, presented no problem. American action will undoubtedly check the financial weakening of our allies—but at the price of postponing domestic tax reductions that might otherwise have been reasonably expected.

Whatever sacrifices are made will seem small, if they gain us peace. But our generation has learned to accept a definition of peace that would not have satisfied our fathers. Neither in the Near East nor among the European satellites of Russia is there any immediate prospect of the kind of peace they knew. Even for us, the best that can presently be hoped for is more of what we have learned to call "cold war"—with its government controls, high taxes, and disproportionate levy upon each nation's total production for purposes of defense.

This is, of course, the kind of world we have been living in for many years. Its danger is not so much the threat of immediate disaster as of ultimately dulling our will to regain that relaxation of controls upon free enterprise that was just beginning when the present crisis broke. If we as a nation do not lose our determination to regain the ground lost, I see no reason to view with alarm either the immediate or more distant future.

And if, as may well be the case, the United Nations should prove capable of bringing peace with justice to the Near East, and freedom without further bloodshed to the oppressed satellites of Russia, then we shall be able to look back upon current troubles as one of history's great turning points, leading to such peace, prosperity, stability, and happiness as men have not heretofore known on earth. For the great problems of today are not problems of science or technique, but of wisdom and goodwill.

G. V. LEECE

President, Gardner-Denver Company

Our line of products are sold primarily to the industrial, construction, mining, and petroleum industries. After analyzing our potential sales in all purchase areas for 1957, we project a very satisfactory volume of business which should result in some increase over our 1956 sales of approximately $63 million.

G. V. Leece

Plans are being made for plant and facility expansion to take care of an additional 10% in sales volume in the year ahead. Industrial and construction divisions are expected to contribute substantially to this increase.

During the past year, Gardner-Denver Company Canada, Ltd., the company's Canadian subsidiary, purchased the former Bickle-Seagrave plant in Woodstock, Ontario. The purchase of this plant is part of an expansion program for manufacture of the company's products in Canada. Addition of the manufacturing capacity of the 50,000 square foot plant will enable the company to keep its production for Canadian markets in line with the expanding economy of Canada. Since 1950 the company has operated a plant in Branford, Ontario, to manufacture and service its products.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Company

Northeast Ohio long has played an important role in the nation's economy. It is a region characterized by diversified industry, high productivity, and rapid growth. The predicted high level of industrial expansion across the nation will be reflected in this area in 1957. Investment in new and expanded plant should easily go beyond last year's total of $340 million. With a good possibility that the FRB index will rise to 147, it will be a busy year for all Northeast Ohio business and industry. In fact, the prospect is for a record year in the area which is associated across America with the banner-line "The Best Location in the Nation."

Elmer Lindseth

Largely because of the area development efforts carried on under that slogan since 1945 by banks, chambers of commerce, utilities, railroads, and other industrial, commercial, and civic institutions of all stamps, this region, with one percent of the nation's population and two percent of its industrial productivity, has consistently obtained three percent of America's annual industrial expansion. These efforts will continue throughout 1957 and will, we are confident, bring us the same share of expansion in the year ahead.

Leaders in industrial growth will be such key industries as chemicals and metals, both ferrous and nonferrous; although automotive and aircraft parts, and machine tool manufacture, will not be far behind.

A good year is foreseen, too, in housing construction, with the area receiving substantially more than its prorata share of national construction. The year should see five percent more housing starts here than in 1956, as compared with a slight reduction in the national figure.

The anticipated industrial and residential expansion will of course put substantially more load on our lines. We expect kilowatthour usage per customer to increase 12 percent during the year. Residential usage, for example, will rise from the 1956 level of 2982 kwhrs. to an expected 3185 kwhrs. And we also expect to add 16,000 new customers.

To cope with this growth, we have blueprinted a plant expansion program for 1957 involving expenditures of some $46 million, highest in our history.

Last year marked the addition to our system of our largest generating unit, Eastlake No. 4, with a capability of 240,000 kilowatts. Two slightly larger units, of 250,000 kilowatts apiece, are now under construction for two of our three other plants, and will be installed in 1958 and 1959.

A new method of fuel transportation will go into operation early in 1957, when a 108-mile pipeline begins moving coal from mines near Cadiz, Ohio, to our Eastlake plant. The finely-ground coal will be mixed with an equal quantity of water to form "slurry," and will be kept moving through the pipe by three pumping stations. The pipeline, first of its kind in the United States, will carry about 1,250,000 tons of coal a year, 80 percent of the Eastlake plant's requirements. It was constructed by Pittsburgh Consolidation Coal Company at a cost of $12 million.

Notwithstanding the optimistic outlook, there is need for a word of caution to all Americans. During the year ahead, the siren song of public power advocates will continue to be heard in legislative chambers throughout the land. These devotees of distorted economic theorizing will take us farther along the road toward complete socialization of the power industry, unless the public and its opinion leaders are fully informed of the facts.

This presents our industry with its biggest challenge in 1957. It is a matter of the most urgent import, not only to ourselves, but to businessmen in all fields and to the American public.

At present, more than 20 percent of this country's power customers, through no fault of their own, are tax-subsidized by the remaining 80 percent. Proponents of government power are anxious to increase that proportion.

The issue in 1957 will center largely around the question of atomic power plants. This will be a year of decision. Every businessman has a vital stake in the outcome, and therefore an obligation to become completely informed about the facts.

If, in a year of such intensive business activity as we foresee ahead, matters as vital as this fail to receive their full share of our attention, we will ultimately pay a bitter price for our neglect.

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SAVINGS BANKS TRUST COMPANY

14 WALL STREET, NEW YORK, N. Y.

Organized and wholly owned by the Mutual Savings Banks of New York State, SAVINGS BANKS TRUST COMPANY is the savings banks' bank, serving them exclusively as depositary, correspondent, investment consultant and trustee; also a research body and clearing house for information on matters of interest to the Savings Banks Association and its members.

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WALTER T. LUCKING

President and General Manager
Arizona Public Service Company

Accelerated growth of industry in Arizona will typify the 1957 economic outlook in this state. Although largely confined to the Valley of the Sun area and Pima County, other sections of the state will experience some manufacturing development.

Walter T. Lucking

During the past year, Arizona held first place nationally in the rate of industrial growth from the employment standpoint. A continuing program to attract light, diversified industries has paid great dividends and will continue to benefit this segment of the state's economy.

Mining activity in Arizona will probably exceed previous levels. Copper output in the state is expected to be increased during 1957. Arizona leads all other states in the domestic production of this metal and leads the nation in the volume of mining production. Economists look for a 10 to 15% increase this year. Private construction, particularly commercial-type buildings, will surge upward. Residential building should at least equal last year.

Governmental spending for construction projects is expected to be considerable. State, municipal and county governments have numerous plans for road and highway improvements, schools and administrative buildings and other facilities. Federal construction spending on public highways and for armed forces facilities will be on the upswing.

Government reclamation projects within the state will place additional millions of dollars in the state's economic picture.

Although total agricultural acreage in the state has been declining at the rate of 50,000 acres per year for the past three years, this has not meant decreased farm production. Better use of the land through intensive fertilization and better production techniques have kept farm production up.

It has been estimated that Arizona's population will reach 1,125,000 by July of this year—an increase over the 12-month ending period of 45,000.

Arizona's tourist business should rise 10% in 1957 according to surveys made at year's end 1956.

Taking all of the above growth statistics into account, Arizona Public Service Company is looking forward to another year of growth in the sale of electric and natural gas service.

Our own surveys made for planning and production purposes indicate that 1957 will be a banner year. Looking ahead, we are preparing to begin construction early in the year of two new electric generating stations in the state plus numerous transmission and distribution facilities. Our entire organization is being geared to take care of more business this year in our 40,000 square mile service area.

Arizona's economy during 1957 is expected by all business leaders and planners to overshadow national averages. Industrialists, bankers, chamber of commerce officials, government and school officials, all are highly optimistic about the state's economy during the coming year.

DAVID L. LUKE, JR.

President, West Virginia Pulp and Paper Company

In spite of a temporary lull, demand for pulp, paper and paperboard in the markets reached by our products continues to grow.

A year ago we believed that orders for our types of pulp, paper and paperboard were greater than actual consumption. Today we feel that actual consumption exceeds purchases. We are inclined to believe that the shortage of paper a year ago was more apparent than real. By the same token, we are inclined to believe that the lull in demand today is more apparent than it is real.

David L. Luke, Jr.

As best we are able to judge, 1957 demand for our products will exceed that of 1956. We expect that the strong demand from the U. S. will be augmented by growing demand from the rest of the world.

A number of new projects for expansion of pulp and paper and paperboard capacity on the North American continent have been announced. If all of these projects are carried through on schedule, there is the danger of a temporary period of overcapacity. However, the tight money or credit situation currently existing, combined with knowledge of the dangers of overcapacity, has already been responsible for the postponement of some projects and may well be responsible for postponement or abandonment of others. Of course, postponement and abandonment of projected plans minimizes the probability of an excess of capacity.

We have felt and continue to feel the results of the largest round of wage increases in history in the form of increased price of things we buy, as well as increased costs in our own operations. The impact has, of course, made itself felt in the profit margin. We believe that it will be necessary to go through a period of readjustment which will involve absorption of higher costs while we attempt to find means of offsetting those factors responsible for cost increases.

H. E. MacDONALD

President, Household Finance Corporation

In 1956 Household had its best year in volume of loans made to customers and in net earnings to stockholders. We made about 2¼ million instalment loans, amounting to over 880 million dollars. The average size of these loans at the time they were made was about $400. We ended the year with 1,630,000 accounts on our books, totaling about $535 million, an increase of about 18% during the year. The unpaid balance of these loans averaged about $325. We now have 832 offices serving families of 569 cities in 36 states and all 10 provinces of Canada.

H. E. MacDonald

We believe that Household's growth stems from customer appreciation of prompt, courteous service in prominently located and attractive offices.

Net income after taxes improved somewhat more than the 18% increase in customer notes outstanding. This has resulted from an improvement in operating efficiency during 1956, reflecting improved handling of applications from prospective customers, plus improved collection practices. Both have resulted in an increase in the number of accounts handled per employee, and in a reduction in personnel turnover.

During 1956, Household opened 94 new offices—47 in cities not previously served. A substantial number of the new offices, other than those in new cities, were opened in, or adjacent to, suburban shopping centers. We will continue to open additional offices, wherever favorable opportunities appear, and to modernizez and relocate offices wherever public service warrants such changes.

Household Finance Corporation serves the public primarily under the provisions of small loan laws, originally recommended by the Russell Sage Foundation 40 years ago in order to provide consumers with adequate credit at reasonable rates of charge. These laws generally provide for the licensing of lenders after a strict examination of fitness, character and financial capability and provide for continuous supervision of such licensees.

The test of time has demonstrated that the legitimate cash loan needs of families can be fully served only in states having an effective small loan law. In states without effective small loan laws, loan sharks—levying unconscionable charges—exist alongside of banks and credit unions, which can serve only a portion of the needs of the consumer public. It is to be hoped that those states without effective small loan laws will provide legislation to give their citizens the benefits of the services of consumer finance companies regulated in the public interest.

During 1956, Arizona, Massachusetts and Virginia modernized their small loan laws by increasing the maximum size of loans subject to regulation. It is hoped that additional states whose ceiling on such loans in unrealistically low will follow the trend of recent years, permitting a more complete service to consumers by providing regulation of loans in larger amounts.

ROBERT S. MACFARLANE

President, Northern Pacific Railway Company

The Northern Pacific Railway expects the general level of business activity in its territory during 1957 to be comparable to that of 1956.

The railway's traffic volume during the coming year will reflect, in large measure, the economic activity of the area it serves.

Robert S. Macfarlane

Lumber and grain movements may not come up to recent high levels. While forecasts indicate that construction activity will continue at the 1956 pace, residential building starts are expected to decline. This will affect the volume of lumber moved. The soil bank program will cut down acreage in the grain growing regions, especially if the deficiency in surface and subsoil moisture is not relieved. It is impossible at this time to estimate what effect this will have on the size of next year's grain crop.

Although increased traffic of agricultural products is moving from the Columbia Basin area in eastern Washington, full impact of this huge irrigation project will not be felt for several years when 1,000,000 acres will be under irrigation. Nearly 200,000 irrigated acres were under cultivation in 1956 and water will be available for a half million acres by 1961. The Northern Pacific serves 40% of the Basin.

Oil revenues for 1956 are expected to be about $3,212,000 compared with $1,686.000 for 1955. At the end of November, the Northern Pacific was participating in the production of 161 wells in the Williston Basin compared with 99 wells at the end of 1955.

Northern Pacific's 1957 budget for new equipment and improvements calls for an expenditure of more than $30,000,000—about the same as last year. Nearly $14,000,000 will be spent to purchase 80 diesel locomotive units as part of the company's program which contemplates full dieselization by 1959. The railway's freight car building program, delayed by shortages of materials, got under way late in the year with start of construction of 500 box cars at the company's Brainerd, Minn. shops. During 1957, the Northern Pacific will build an additional 450 box cars, 200 ore cars, 200 stock cars and 50 insulated damage-free box cars. In addition, the company will purchase 200 covered hopper cars and 50 tank cars.

W. C. MacFARLANE

President, Minneapolis-Moline Company

Nineteen fifty-seven is another new year for all of us. After the tempering experiences of the past 12 months, the farm-equipment industry looks forward to a better year. Our industry has concentrated production in fewer and more efficient plants, resulting in improved operations. Inventories have been cut, and production schedules are better attuned to the farmers' requirements.

W. C. MacFarlane

Greater farm production and fewer farmers are trends that have been with us for some time. The continued increases in production of various crops by fewer but more efficient farmers results from their improved farming practices, including a greater reliance on farm mechanization than ever before. Farmers realize the labor-saving possibilities of modern farm equipment. This, coupled with their desire to make a profit in farming and to share with their families the same standards of leisure enjoyed by their non-farm neighbors, indicates a growing demand for cost-cutting farm equipment.

Influence of the soil bank will be felt for the first complete year in 1957. However, much of the impact may be diminished as preliminary reports suggest marginal farm land makes up a large part of the land going into the soil-bank program.

Our population is growing at a rate not anticipated two decades ago, and two decades hence will surpass the 200-million mark, according to recent estimates. Fewer farmers are expected to produce the food and supply industry with needed agricultural raw materials required by this mushrooming population.

Important new equipment is bringing the farmer greater labor-saving opportunities than ever before. Our power-lined MM "445" tractor, the Uni-picker sheller, and the improved Cotton stripper are examples of this advanced engineering in the MM line. Further with its expansion into the industrial field, with power units, tracklaying tractors, and other equipment MM is confident of the same wide acceptance as enjoyed by our farm line.

Nineteen fifty-seven will be a better year!

SIDNEY MAESTRE

Chairman of the Board,
Mercantile Trust Company, St. Louis, Mo.

In the past two years business activity has advanced first as the result of a substantial increase in consumer buying and later the spending by business for new plant and equipment and inventory expansion carried industrial activity to its current high level. The rapid rate of growth in consumer expenditures slowed in 1956 as savings advanced, and there are definite signs that business spending is reaching a high plateau.

Sidney Maestre

The trends now observable in the economy could result either in the continuance of a slow rate of growth or a relatively sharp decline. Continued strength will be provided by the projected high level of plant and equipment expenditures. Surveys of the both the first quarter and for 1957 show that these expenditures will be maintained. There are, however, some indications that a turning point may be reached shortly. Machine tool orders are not being maintained and the new "capital appropriations" figures showed a decine in the third quarter. The announcements of postponements of construction plans by industries which appear occasionally are further evidence that for one reason or another business spending plans are being carefully re-examined.

Inventory accumulation has been an important factor in the last year. While the inventory-sales ratio has not yet reached a high level, its continued growth probably foreshadows at least a decline in the rate of inventory accumulation. Private new construction is expected to expand slightly in spite of the fact that residential construction expenditures will be lower. The decline in residential construction can only partly be attributed to the "tight" money market; there is some evidence, although not conclusive, that building has run ahead of demand in certain areas.

The consumer still remains an enigma. After spending heavily in 1955, he apparently followed a more cautious policy in 1956. As a result, retail sales rose only slightly; on a physical volume basis, the increase was even smaller because prices were generally higher. At the start of the new year there are few signs that consumers have started buying in substantial volume. There are conflicting reports about the acceptance of the new models of automobiles but probably the decision of consumers will not be apparent until early spring. Consumers appear cautious about buying things they feel they may not need. As a result, there has been some

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increase in savings and these savings have helped finance industrial expansion. It is probable that consumers will remain cautious well into 1957.

The increase in governmental expenditures could provide some stimulus to the economy, but it is doubtful if the budget will become unbalanced sufficiently to result in any inflationary stimulus. The Federal, state and local governments are embarking upon large-scale programs of public works. While these programs mean increased expenditures over a long period, they are not likely to result in sharp increases this year. The international situation remains critical. Solutions of the political problems in the Middle East will be extremely difficult, and the existence of a political vacuum in that area makes it an area in which Russia and the United States will struggle for leadership.

In summary, therefore, it seems likely that the contractionary forces are likely to become more important in 1957, but they probably will not carry business activity to a significantly lower level.

HON. WARREN G. MAGNUSON

U. S. Senator from Washington

Nineteen hundred and fifty-seven should be one of the truly great years in the history of the United States maritime industry.

Both in shipping and in shipbuilding the demands for more cargo space should lift all elements concerned with water transportation to new heights of progress and prosperity.

Hon. W.G. Magnuson

Partly due to beneficial legislation enacted in the 84th Congress to stimulate both construction and operation of vessels for the coastal as well as the foreign trade, and spurred by the increasing demands of expanding world trade, operators of shipping lines in all the trades will be hard put to meet the demands upon them, and should prosper greatly.

Likewise, the shipyards throughout the nation face a deluge of construction orders the total of which would seem to be limited only by the amounts of steel plates that can be made available out of a record total of steel production.

Fortunately, it will be possible to handle these unprecedented peacetime demands upon the industries involved without ruinously costly procedures that have accompanied previous wartime shipping booms.

The long-range construction programs developed by the Maritime Administration will make it possible to replace, year by year, the rapidly aging wartime vessels now constituting the bulk of shipping under United States registry. Thus we can avoid future bulk obsolescence such as the emergency building programs of World Wars I and II occasioned.

Availability to the shipping lines of vessels from the National Defense Reserve Fleet to meet clearly demonstrated immediate needs will make it possible to transport the millions of bushels of grains and the millions of tons of coal that are projected for delivery abroad within the coming months and years. Thus both government and the national economy will benefit, without imposing undue strain upon any one element of the maritime structure.

With all this said, however, we cannot overlook certain needs of a long-range nature which may have to be met by legislative action. Our coastal and intercoastal fleets, including those of the Great Lakes, need strengthening; our tramp shipping must be given aid in one form or another to keep it alive and prosperous enough to provide needed replacements, and ways must be found to provide a far higher percentage of ore carriers than presently is operating under the American flag.

These are problems, and knotty ones, undoubtedly. But today's healthy and prosperous maritime industry will be able to meet those problems successfully, I am sure, if government continues to appraise and support the efforts of the industry as well as it did during the Congress just passed.

This, I am confident, will be done. Certainly we in the Senate who are charged with responsibility for helping to maintain an adequate Merchant Marine, will do all we can to insure that the advances that have been made will not be negated.

WALTER P. MARSHALL

President, The Western Union Telegraph Co.

Western Union's 1956 revenues passed the quarter billion dollar mark for the first time in history, an increase of about $10,000,000 over 1955.

Nineteen fifty-six was a year of record progress in other directions as well, with continued expansion in the facsimile, private wire, data processing and microwave fields. As the year ended, Western Union's facsimile and private wire business was running at an annual rate of nearly $35,000,000, more than five times the 1948 total of $6,169,085. Now over 2,000,000 miles of telegraph channels are used in private wire systems leased by the telegraph company to government and industry.

Walter P. Marshall

About $32,000,000 was spent in 1956 to expand the company's facilities, and 1957 expenditures are projected at the rate of $40,000,000.

The use of leased private wire telegraph systems to transmit data for processing by business machines and computers is fast becoming a heavy contributor to Western Union's private wire business. The first nationwide private wire sytem designed exclusively for automatic transmission of control date was placed in operation in 1956 for Sylvania Electric Products, Inc. Many other firms, such as General Electric, U. S. Steel, Liberty Mutual Insurance Company and United Air Lines, also are making extensive use of their Western Union private wire systems for transmission of control data.

Another highly significant nationwide private wire system installed by Western Union in 1956 was for E. F. Hutton & Company, stockbrokers. It can flash an order from the West Coast to the New York Stock Exchange floor in eight seconds, and confirm the purchase or sale to the buyer in less than 60 seconds.

During the year the Air Materiel Command awarded Western Union two contracts totaling more than $10,000,000 to engineer and install a fully automatic electronic telegraph system for communications between all U. S. Air Force bases throughout the world. Carrying out the plan will unify the domestic and global communications systems of the Air Force. Western Union already provides the 200,000-mile domestic private wire system of the U. S. Air Force, linking 200 Air Force bases.

Western Union is extending to Cincinnati and Chicago its microwave radio beam system now in operation between New York, Philadelphia, Washington and Pittsburgh. Completion of the extensions next year will add nearly 1,000 channels in the mid-west area for leasing to industry and government.

The company moved rapidly ahead with its program of providing Desk-Fax facsimile machines with which businessmen can send and receive their telegrams instantly in picture form by pressing a button. More than 27,000 firms already have Desk-Fax, and additional thousands of installations are planned. Since Western Union furnishes printing telegraph machines to 23,000 other business offices, over 50,000 firms have direct wire connections with Western Union's high-speed national network.

Closed-circuit facsimile systems, called "Intrafax," were leased to firms in many lines of industry in 1956 to connect their scattered departments, offices and buildings for fast and efficient intra-company communications.

The telegraph company also has acquired an interest in four companies whose present and future operations are allied to special areas of interest within the telegraph industry: Microwave Associates, Inc., Technical Operations Inc., Teleprompter Corporation and Wind Tunnel Instrument Company, Inc.

Since Western Union's stock was split 4-for-1 on May 17, 1955, the number of Western Union share owners has increased about 50%, from less than 20,000 to more than 29,000.

JOHN N. MARSHALL

Chairman of the Board, Granite City Steel Company

In discussing the 1957 outlook for the Midwest and Southwest market area on which the Granite City Steel Company depends, it is hard to avoid a degree of optimism. Our customers have made substantial bookings through the first quarter of 1957. We expect that capacity operations at our mill—which began almost two years ago, on Feb. 15, 1955—will continue for at least the first three months of this year.

John N. Marshall

The demand for hot rolled sheets and light plates is particularly heavy in our market area. Our cold rolled bookings are also substantial.

However, this does not mean that 1957 profit margins are certain to equal or exceed those of 1956 when our company, for example, had record earnings of about $15 million, or about $7 a share.

In addition to higher wages, the steel industry is having to absorb higher costs of its major raw materials and of many miscellaneous items of purchase. The price of steel scrap went up about 31% during 1956. The prices of iron ore and of coal also increased substantially. There have also been freight rate increases.

This matter of a developing squeeze between increasing costs of materials and production on the one hand and basic steel prices on the other is a matter of concern for the entire industry. The $8.50 a ton increase in basic prices put into effect last summer by the industry was not enough to even offset the higher costs that had accumulated at that time.

Our company is engaged in an expansion program that will increase our annual steel ingot capacity by about 47%. At the start of 1956, our capacity was 1,080,000 tons. By the end of 1958, without adding to our seven open hearth furnaces but with increases in our blast furnace iron capacity and rounding out of our rolling and finishing facilities, our annual ingot capacity will be about 1,584,000 tons.

One point worthy of note in today's economy is that of the very healthy market for flat-rolled steels. Most of the expansion which has taken place in steel finishing capacity in recent years has been in the flat-rolled steels. Behind this is the constantly growing demand for consumer goods in which flat-rolled steels are essential —automobiles and trucks, refrigerators, air conditioners, farm machinery, etc. In addition, the construction industry is turning more and more to flat-rolled steels. We recently added heavy-gauge culvert sheet to Granite City Steel's list of galvanized, corrugated products because of the expected heavy demand for culvert sheets during the federal highway-building program.

In 1957, the steel industry will be serving wider and more stable markets than it ever did in the past. Its operating rate will fluctuate from time to time, but it is hard to see the industry ever returning to the sharp up-and-down cycles that once were all too typical.

Continued on page 90

1957

"Building to the Future of Electronics"

1957 marks the twenty-fifth anniversary of the Amphenol Electronics Corporation. During these years we have been an active participant in the growth of America's wonder industry, Electronics.

Today, more than ever before, the electronics industry is turning to AMPHENOL for the precision-engineered connectors and cable that it needs. In each advancement, in each new program, AMPHENOL is a full-fledged partner.

The future will find this partnership still enduring. Then, as now, as in the past, AMPHENOL will continue to Build to the Future of Electronics.

AMPHENOL ELECTRONICS CORPORATION
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HON. JOSEPH W. MARTIN, JR.

U. S. Congressman from Massachusetts

I believe that the new 85th Congress will act favorably on President Eisenhower's legislative program for continued prosperity at home and peace throughout the world. The support for it in Congress should be greater than that accorded to any President's program in recent years. In addition to the backing it will receive from Republicans in the Congress, it will have considerable Democrat support.

Hon. J. W. Martin, Jr.

Bi-partisan cooperation with the President to help him in his determination to preserve peace with honor will be the most compelling duty of the new Congress.

The people demonstrated their faith and confidence in Dwight Eisenhower on Election Day. They expect Congress to cooperate with him to continue American progress and prosperity—on the sound foundations which have been built in the past four years.

Economic progress reached an all-time high in 1956. Employment averaged 65 million for the year, a two million increase over 1955. Wages and salaries were up 7%. Disposable personal income, the net remaining after payment of personal taxes, rose 6% in dollar value. Production is booming. A huge increase in investment in new plants and equipment by American industry will contribute to future capacity to produce.

I agree with the predictions of the economists that these favorable trends will continue in 1957 to make another year of record prosperity.

The Eisenhower program has succeeded in bringing this unprecedented prosperity to the United States. Never before have so many Americans shared so much.

Run-away inflation has been halted. The budget has been balanced. Industry and business have been given the confidence to hire more men and women, to expand, to produce more. America is modernizing and this process contributes to continued good times. The Eisenhower Administration is leading the way in the new era of American prosperity with the Federal highway construction program, the modernization of our National Parks, aid and encouragement to slum clearance.

Cooperation in this progress will be continued by the 85th Congress.

The problem of inadequate and overcrowded school buildings is a national problem and a most pressing one. We will make a strong and determined effort to enact a law to provide for Federal aid to school construction. I believe that prospects for its passage are much brighter this year.

I am strongly in favor of another balanced budget, in spite of probable additional expenditures for a strong defense and for continued progress for world peace. Fiscal sanity by the Federal Government under Republican management has helped keep the United States strong and prosperous.

Much as I would like to see another substantial tax reduction, I do not see a clear path for one in 1957. However, there may be some modification of the tax laws this year.

The security and safety of our country and efforts to cooperate with other nations in the drive for world peace are expensive programs. I sincerely believe that all American citizens agree that security and peace come first. We are united in our determination to work together for a better tomorrow for the United States and for the entire world.

JOSEPH A. MARTINO

President, National Lead Company

One record-setting business year following another record year is becoming almost an accepted standard part of American life as new marks are set annually in production, sales, profits, employment and wages.

Joseph A. Martino

By every yardstick, 1956 was the best year in history. Gross national production climbed to a record total of $412 billion, consumer spending is running at an annual rate of $266 billion, personal income has reached $326 billion a year and wages of factory workers averaged 5% over the 1955 level. The United States produced and consumed 60% of all the world's goods. Sixty-five million people are employed today—another record. There were some signs toward the end of the year indicating a leveling off of the very high plateau which now characterizes our nation's economy.

National Lead Company had higher sales and earnings than in any previous year, and 1957 should continue with a good business pattern. The demand for titanium pigments continues strong and the company announced expansions in its St. Louis plant and completion of an expansion at its titanium mine in Tahawus, N. Y. Canada's first titanium pigment plant, built by a National Lead subsidiary, will go into operation in the middle of the year. Plant expansions at the Doehler-Jarvis Division plants, producers of non-ferrous die castings for automobiles, office equipment, television receivers and other applications, will be completed this year. Oil well drilling should increase and our Baroid Division has taken major steps to supply additional chemicals and services to that industry. An extreme shortage of freight cars should stimulate sales of journal bearings by National Lead's Magnus Metal Division.

In 1956 National Lead went into production of metallic nickel at Crum Lynne, Pa., at the country's only nickel refinery in operation. Titanium metal set shattering records in 1956 and production of this strategic material should double in 1957, with Titanium Metals Corporation of America, owned jointly with Allegheny Ludlum Steel Corporation, announcing sizable expansion plans for the coming year. Titanium Alloy Manufacturing Division is expanding its facilities for the production of titanium and zirconium alloys for steel, chemicals for wall tile, ceramic ware, porcelains and enamelled goods, glass polishing and refractories. Formation of Industrial Reactor Laboratories, Inc., was announced, with National Lead joining nine other large corporations in building a nuclear reactor at Princeton, N. J., for research and development work.

These developments demonstrate that National Lead Company has confidence that our economy will continue to prosper. The year 1957 should be moderately better than 1956 for both production and sales in nearly every industry in the United States. With peace in the world, I believe the nation can look forward to another good year.

L. L. MATTHEWS

President, American Trust Company, South Bend, Ind.

Nineteen Fifty-six will be recorded as the year of tight money. Considering various factors at the present time, it seems likely that this situation will exist until the mid-year of 1957. Many elements have created this condition. Most prominent, however, in my opinion, is the expansion program of government, be it Federal, state or local. Our enlarged national defense budget, together with state and municipal sponsored schools, hospitals and highways, have been the major factors creating the tight money situation. Naturally, the increase in population since World War II has necessitated these expenditures.

L. L. Matthews

The policy of the Federal Reserve System is realistic and intended to curb inflationary trends; however, the old law of supply and demand still exists, and the total demand of individuals, corporations and government for money, exceeds the supply. In recent months there is an indication that the American Citizen is becoming more thrift minded, as indicated by the slight increase in savings in our banks, and it is not unlikely that spending for personal and household needs will be slightly reduced in the months to come.

In the South Bend area we have every reason to be optimistic about the foreseeable future because of the prospects for more industrial expansion.

GEO. G. MATKIN

President, The State National Bank, El Paso, Texas

I appreciate your asking me to write a few words, giving my opinion of the outlook for 1957 in my particular field. To do this properly, I think I should first make some comments on business in 1956, because any statement I would make for 1957 would be in a way of a comparison with 1956. Furthermore, to discuss my field—BANKING—I feel requires a discussion on business in general, which is quite difficult. As I recall, I stated last year, about this time, that I felt reasonably sure that there would be some cut in income taxes for individuals in the coming year, that is, 1956 — unfortunately, this never developed. As for this year, I do not expect any decline in taxes, and I believe I will be right in this assumption.

George G. Matkin

Business in 1956 was at a high level in most all phases of the economy, and I believe it broke all records in business history. There were, of course, some exceptions, such as agriculture, which has not shared in this prosperity like most of the other segments of our economy. Banking had a prosperous year because money was extremely tight and interest rates higher—resulting in profits being good.

Now, as for predicting 1957, we certainly must give consideration to the Egyptian-Suez Canal problems, and to all European problems for that matter, as world conditions and the economy for the coming year will be entirely different, should we become involved in a fighting war or be forced into a series of recurring crises which definitely upset the stability of our production and purchasing powers. My thinking is based on the belief that these matters will be settled, or at least will not cause a shooting war, though the "cold war" as we term it, is still in process and I think will continue to be that way for a number of years to come. I ramble along, doing lots of talking but without making any prediction, so I'll now get to the subject.

I expect the present high economic conditions to continue into the new year for the first six months, but not to increase as much as in the last year, and I fully expect some dropping off in business during the last six months. I believe that installment loans will continue upward, with a probability of larger automobile sales in the new year.

I also believe that home construction will be slower. It appears that interest rates will continue to be high, and loans possibly not increasing as in the past year, but with money continuing to be on the tight side. I do not expect the slowdown the second six months to be serious, though it probably could be helpful as we have been going quite fast and a continuance along our present lines could project us into a period of dangerous inflation.

BALDWIN MAULL

President, Marine Midland Corporation

Because of the many cross-currents at work, the trend of business activity beyond the first few months of 1957 is anything but clear. While there is this uncertainty as to the trend, there is every indication that the average level of business activity in 1957 will average as high, and probably higher than that of 1956.

Baldwin Maull

Perhaps more important is the fact that if any downtrend in business should develop, it is not likely to be deep or long-lived. It is possible to say this because with full employment the law of the land, the government can be expected to mobilize its forces to stimulate the economy and the Federal Reserve authorities would unquestionably modify their money and credit policy. In addition, there is the great backlog of public works which could be accelerated and then there is the great rate of technical development which in turn calls for tremendous capital expenditures by American industry. In addition, we have the high and perhaps rising level of armament expenditures and the many changes in our social, economic and financial structures over the last two decades that, in effect, put a floor under the economy.

To these various factors must be added the dynamic basic growth of the country reflecting such elements as the rapid rate of family formation, increased population, and the like.

J. L. MAUTHE

Chairman, The Youngstown Sheet and Tube Co.

We at The Youngstown Sheet and Tube Company look forward to 1957 as another good business year with the general boom momentum of 1956 carrying through the first quarter of the coming year.

We expect that the Gross National product in 1957 will approximate $430 billion (about 5% above 1956) with increased prices accounting for an appreciable amount of the total gain. Business spending for new construction and producers' durable equipment will show a substantial gain in 1956, in fact producers of capital equipment have been unable to keep pace with demand. The resulting order build-up, which has expanded throughout the past year on long lead time capital items, probably presages a high level of producers' equipment output through the first half of 1957.

J. L. Mauthe

However, the current capital expenditures boom, which in a great measure was responsible for the heavy utilization of our nation's money, man-power and materials during 1956, may reach its peak some time during the first half of 1957. This probably will provide pause for some reassessment of rising industrial capacity and production costs in relation to constantly increasing interest rates which, of course, have been making borrowing for capital expansion more and more costly. In light of this, it seems unlikely to me that the present tremendous demand for funds will continue undiminished throughout 1957. Nevertheless I should like to say that the possibility of some hesitation in the unprecedented existing rate of capital expansion, during the last half of 1957, does not dampen our general confidence for 1957 nor the longer-term outlook for increasing capital expenditures.

Rising consumer incomes in 1957 may be expected to lift personal consumption expenditures for services, non-durable goods and durable goods, to some lesser degree, to new highs in the coming year. Consumer spending which has been a strong economic plank for the past year gives little evidence of weakening in 1957. I feel we can look for greater Government expenditures in 1957, more for highways is assured and the unrest in international circles may be expected to dictate increasing defense and foreign aid expenditures.

The steel industry will produce approximately 115 million ingot tons in 1956, and indications at this time lead us to foresee greater steel production in 1957. We estimate 1957 ingot production in the 116-120 million ton range, and, as you probably know, the steel industry expects to add approximately 3-4 million additional tons of ingots to its 1956 capacity of 128 million tons, which means the industry will have more steel products to sell in 1957.

A 1957 forecast of 116-120 million ingot tons anticipates a continuing high level of activity in most steel consuming industries with improved activity over 1956 most likely in the huge and extremely important construction and automotive industries.

In summary I would like to say again that we at Youngstown look forward to 1957 with considerable optimism.

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MORTON D. MAY

Chairman of the Board, The May Department Stores Co.

Retail sales volume continued to increase in 1956 over previous years as consumer income increased and we look forward to continuing moderate gains in the year ahead. From the third quarter of 1955 to the third quarter of 1956, the annual rate of gross national product increased by approximately $17 billion, with more than half the increase accounted for by a rise in purchases of consumer goods and services.

Morton D. May

The same factors that brought a gain in the annual rate of production of goods and services in 1956 and, with it, an increase in retail sales volume are likely to continue at approximately the same strength in 1957. This does not take into account, of course, changes in international relations that might affect economic conditions.

Regarding matters of specific concern to retailers, we find that our wholesale markets are in good condition. Supplies of merchandise are generally in balance with demand and our buyers have broad selections from which to choose.

This is true of foreign as well as domestic markets. We operate buying offices in London, Paris, Florence, Zurich, Frankfurt and Tokyo and all of them report that foreign production of consumer goods is increasing in both quantity and variety.

While there were some fluctuations, prices of the merchandise we sell were relatively stable over the past year, and we do not expect any sharp general increases in the coming year.

The volume of credit sales continued to expand in 1956, but increases in disposable income kept pace with increases in consumer debt. However, we believe it is important under present-day conditions that great care be exercised in extending credit.

Our plans for 1957 include the completion in the fall of two major expansion projects. One of these is the Eastland Shopping Center, now under construction at West Covina, Calif., which will include a 365,000-square-foot branch of the Los Angeles May Co. and approximately 42 other stores and shops. The other is a branch of the Cleveland May Co. that is being built in the University Heights section. This store will have four floors and total space of 349,000 square feet.

Our Wm. Taylor Son & Co. store in Cleveland has a branch store under construction in the Southgate Shopping Center, situated 15 miles south of the downtown district, which is scheduled to open early in 1958.

In addition, we are planning construction of the sixth Los Angeles branch in the South Bay Shopping Center at Redondo Beach, Calif.; a second branch of the Cleveland May Co. in the Parmatown Shopping Center at Parma, Ohio; and a shopping center that will include a second branch of the May Co. in Denver.

J. W. McAFEE

President, Union Electric Company

The coming year holds great promise for the $33 billion electric utility business as a basic industry underlying a surging national economy.

Nearly every new device for improved productivity in the factory, the store or even on the farm calls for a new power utilization. All the work saving, comfort or convenience devices in the modern home mean more kilowatt hours from the nation's power plants, the capacity of which already has been increased about 2½ times since World War II.

J. W. McAfee

Necessary percentage increases in capacity applied to the 1956 base, of course, requires a larger dollar volume of financing. For instance, where our company used to need $25,000,000 to $35,000,000 annually for construction of new facilities, in 1957 our construction budget is $63,000,000. Home use, increasing at about 10% a year, is taking more and more of utility construction budgets to increase distribution facilities. Particularly is this true in the temperature zones, where, as in our own case, summer air conditioning is becoming as great a necessity, in the customers' view, as winter house heating.

The industry's ability to turn a fair proportion of the growing gross revenues into net income for investors is the real challenge to utility management in 1957. The inexorable increase in costs that has gone on for so many years seems certain to follow the same course this year. The resulting pressure makes even temporarily adverse circumstances assume greater importance; for example, the continuation of the drouth which has affected our area for several years seriously curtailed hydro electric production in 1956. The cost of additional fuel required to generate from our steam equipment the power needed to make up the deficiency, alone reduced our net income by six or seven cents per share below what it would have been with average rainfall. We know we can expect these things, but certainly there will be a turn away from the drouth cycle one of these years. In view of higher costs and tighter money, our budget committee is weighing carefully every item of our prospective capital and operating costs for 1957.

Our area's future seems the brightest it has been in 30 years. New industries are locating in the region we serve and established industries are expanding. The population growth, particularly in St. Louis County, has been spectacular. Our civic climate is improved, with the prospect in 1957 of a new St. Louis city charter. A substantial start has been made on the building program of nearly $175,000,000 authorized in 1955 city bond issues, including progress on trafficways, new schools, and health centers. While home building has slowed from its fast postwar pace, home modernization activity is on the increase.

Aside from careful attention to operating costs, management generally appears more promotion minded than ever before and the marketing tempo is quickening. The utility business is no exception to this trend. In addition to the many local utility campaigns, at least three important national cooperative programs are underway and should begin to bring the expected results in 1957. These programs, coupled with the tremendous promotional efforts by manufacturers of home appliances and other utilization equipment, should get for the industry a growing share of the customers' dollars in the next 12 months.

JOHN L. McCAFFREY

Chairman of the Board, International Harvester Company

At this time last year I predicted that 1956 would be a good year for the farm equipment industry, as good as or possibly better than 1955. As it turned out, 1956 was not a good year for our industry. As it looks to us now, the over-all business of the farm equipment industry in 1956 will be off about 20 to 25% from that of 1955.

John L. McCaffrey

Three major factors contributed most to this decline. One of the most severe droughts in our country's history, one which covered most of the area between the Mississippi River and the Rocky Mountains, was an important factor. The generally low level of farm commodity prices which prevailed throughout most of 1956 was another. The national election, preceded by months of speechmaking and editorializing about the terrible economic plight of the American farmer, was a third factor adversely affecting our industry.

These, then, were the primary reasons why Mr. McCaffrey, as well as others within our industry, missed the forecasting target in 1956.

As we enter our 1957 fiscal year, however, there are already signs of better days ahead for our industry in the domestic field. In fact, these signs seem strong enough for me to predict that at International Harvester we can expect about a 15% increase in our domestic farm equipment business in 1957 over that experienced in 1956. We anticipate a relatively slow first quarter, however, as the effects of the drought and the post-election adjustment carry over into this period.

The outlook for our business abroad is less certain. The tensions created by the situation in the Middle East, by the uprisings in the satellite countries of Eastern Europe and the effect they will likely have upon the economies of Western European countries, naturally surround our 1957 foreign business with uncertainty. We simply must watch and wait and adjust our business abroad depending upon future events.

Turning back to the domestic scene, the reasons for my optimism are these:

First, during the latter months of 1956, the general level of farm commodity prices became stronger. Although slight, this increase indicates a trend which economists and others feel will continue upward during 1957. Factors such as the rising population of our country and of the world and the general level of prosperity now being experienced by most segments of our economy form the basis for the further strengthening of farm commodity prices and farm income during the coming year. Obviously, such a trend, long-awaited by the farmers of our country, should be most heartening to them and, also, to all people in the farm equipment industry.

Second, some moisture has fallen on the parched lands in most of the drought area in recent weeks. Although far from sufficient, the moisture recently received there may well be the beginning of the drought's end. Most certainly, it has brought some encouragement and a restoration of faith to the many thousands of farmers of this stricken area, many of whom have not received adequate moisture for five and even seven consecutive years.

Third, a marked improvement in the general attitude of the American farmer has taken place since the completion of the national election. Historically, national elections have always had some adverse effect on the farm equipment industry. This was particularly true in 1956.

Fourth, all farm equipment manufacturers will, I am sure, introduce new and better products during 1957, all designed to bring more labor saving, more economy, and more profit to the farmer because of their increased efficiency and work capacity. At Harvester, for example, we will introduce, among other things, a new line of farm tractors and a tractor hitch featuring a weight transfer application, early in 1957. The availability of new products, particularly farm equipment products which pay for themselves in use, is always a stimulant to sales.

Fifth, with the exception of those farmers who have experienced the ravages of drought and other misfortunes in recent years, the American farmer is in generally good financial condition. His balance sheet proves that. The Department of Agriculture estimates that in 1956 farm assets totaled $170.1 billion while farm debts were only $18.8 billion, a ratio of 9 to 1. Today, farm indebtedness is only about 11% of his assets. In 1930 it was 21%. So most farmers have either the cash or credit with which to buy farm equipment.

Sixth, during the past year, particularly in the last quarter of the year, inventories of finished machines in the hands of both manufacturers and dealers were reduced substantially. Such a reduction has opened sales channels considerably.

Seventh, the facilities and sales and service organizations of farm equipment dealers today are the best in

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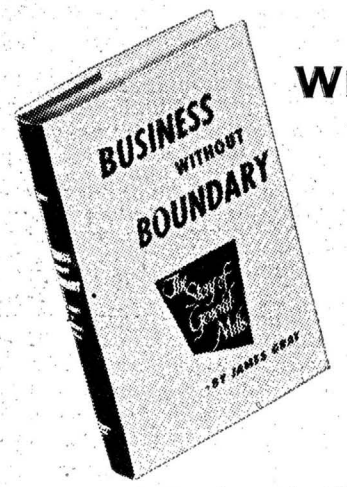

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the history of our industry. Such strength will be reflected in increased sales during 1957.

These, then, are the reasons why I believe 1957 will be a good year. True, the year will not be without its problems. But aside from the weather, over which no one has control, few, if any, seem insurmountable.

In conclusion, I would like to say a word about the long-range future of our industry. All of us are aware of the changes that have occurred within American agriculture in recent years. The number of farms has decreased but their size has increased. There has been a rapid shift in farm population to the city, leaving only about 10% of America's population on the farms today. We are told that changes such as these will continue in the future.

I am not at all fearful of what these sociological changes might mean to the farm equipment industry. The operation of larger farms will call for larger, more efficiently operating machines. And more and more emphasis will be placed on expanding the uses that can be made of single farm machine units, making them more versatile in operation. Such a trend will offset any loss in demand for farm equipment which may result from the reduction in the total number of farms in our country.

During past years, particularly since the end of World War II, modern farm equipment has adequately replaced on our nation's farms manpower which migrated in ever increasing numbers to the city. Should this migration continue, and we are told that it will, our industry will continue to provide the machines to do the job.

Economists and other experts forecast that, on the basis of what has taken place in the past, the population of America will reach the 210 million mark in 1975, more than 50 million over that of today. On the basis of today's standard of living, they anticipate a 50% increase in the demand for farm products in 1975. The job of supplying the food and the fiber needed to sustain this growing number of American people will rest with a farm labor force of about 5 million, down 1½ million from the present farm labor force.

If this job is to be done, more and better farm equipment will be needed. Through hard work and research, and with a keen awareness of what its responsibilities for the future are, the men and women of the farm equipment industry, working together, will meet the challenges that lie ahead. Knowing this, I have great confidence for the future of the farm equipment industry.

THOMAS B. McCABE

President, Scott Paper Company

The future never looked brighter for increased consumption of paper than it does at the beginning of this new year.

The tremendous current rate of annual per capita paper consumption—435 pounds for every man, woman and child in this country during 1956—coupled with America's increasing appetite for the better things in life, have brought about unlimited horizons for one of the fastest growing industries in the country.

Thomas B. McCabe

Although the U. S. accounts for only 6% of the world's population, more than 36 million tons of paper —about 55% of the world's output of this essential commodity—were used in this country last year.

Within recent years new developments of more attractive, functional and protective packaging elements, and a whole bright new array of household paper products, have sparked impressive sales records for industry members.

Even though household paper products account for only 5% of total paper industry output, this same segment of the industry during the past ten years has grown by 80% as compared to 62% for the whole paper industry.

This marked trend toward increasing production and consumption of household tissues, which has been gathering momentum over the years in answer to consumer needs and demands, shows every indication of continued growth in the years ahead.

I feel that the rapid growth in the consumption of such items as paper towels, napkins, facial tissues and toilet tissues is directly attributable not only to both the high rate of population growth in the postwar period, but to rapidly rising incomes and standards of living for whole new groups of our population. Another facet of the story is the dramatic change in the mode of living of our people, for more and more of us are moving to the suburbs, are eating more meals outdoors, are searching for greater conveniences, and are seeking time-saving and money-saving commodities.

Many of these demands have been met by specific paper products, resulting in very strong growth rates particularly in the household field. Bolstering the trend toward increasing production of household tissues, manufacturers of such products have improved the quality and desirability of their brands by producing softer tissues, wet strength tissues and colored tissues — to name a few.

The entire paper industry, tuned to the consumer concept, is appropriating larger sums for research and development. And the industry has had underway a tremendous program of investment in plants and equipment to help bring to the market these new products. The more than $800 million spent in 1956 was some 57% greater than the $518 million invested in 1955 for new facilities to produce the multiplicity of paper products needed for better, more modern living.

In my opinion production facilities, which enabled the industry to have a new high in production capacity of 32.6 million tons in 1956, are now more than ample to take care of demand in some parts of the industry such as wood pulp and kraft papers. For this reason I believe further expansion of facilities in these areas of the industry will probably be delayed. Nevertheless, overall the industry will probably show a 5% increase in total paper production capacity in 1957.

While all domestic signs point to continued prosperity in the paper industry this year, I cannot help but feel the increase in the rate of profits may not be so great as in 1955 and 1956 because of higher labor, fuel, and transportation costs.

Aside from this consideration — record employment, wages, and production levels—in addition to a steady growth in disposable income — all indicate that the coming year will go ahead of 1956 in production and sales

THOMAS McCARTHY

President, Austin, Nichols & Co.

The wine and spirits industry generally enjoyed only a very moderate improvement in the year just passed compared with 1955.

Recently the biggest company in the industry announced small price increases, the first advance since before the war, and it is believed other companies will follow. This was a much needed step because this industry was no exception as far as general cost increases were concerned and nothing had been done to offset these rising costs.

Thomas F. McCarthy

This step, though sorely needed and advisable, however, creates even a greater incentive to the bootlegger who is taking an ever increasing share of this business.

Seizure of illegal stills by Federal agents struck another new high for the Government fiscal year ending June 30, 1956. Here is the comparison for the last 4 years:

June 30, 1953	10,697
June 30, 1954	11,266
June 30, 1955	12,509
June 30, 1956	14,499

It is estimated that the criminal moonshiner is now robbing the Government and, in turn, the taxpayer, at the rate of almost one billion dollars a year.

Because of the completely unrealistic Federal tax of $10.50 a proof gallon, the price of liquor is far too high and makes bootlegging a thriving business. This condition is rapidly breeding disrespect of the law as Prohibition did. The price of legal liquor is out of reach of many American people. From a practical point of view, we actually have a form of prohibition right now caused by high taxation.

There is some indication that the next session of Congress will give relief on the law limiting the bond period of American spirits to eight years. There is also some indication that they intend to give favorable consideration to shortening the period between the time the distiller or rectifier advances the taxes to the Government and the time they are collected from the ultimate consumer. This would be very beneficial particularly right now because of the tight money situation.

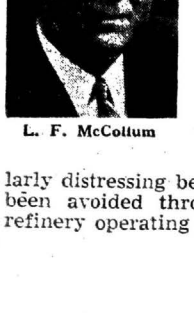
The sale of Scotch whisky has again shown an increase and so has that of imported Champagne and Brandy.

The indication is that the industry should have a slightly better year than the one just passed with the import trade in a position somewhat more favorable than the rest of the trade. All of this is predicated on a good year generally. If times get bad the liquor business, by reason of the high tax, would be the first to suffer because, contrary to the belief in some quarters, the American public would not rather drink than eat.

L. F. McCOLLUM

President, Continental Oil Company

In 1956, the petroleum industry enjoyed another year of continued growth. New high records were set in the production of crude oil, natural gas, and natural gas liquids. These gains in physical output have been reflected in favorable earnings reports by most oil companies.



L. F. McCollum

The year ahead promises to be one of further growth, although the rates of increase in domestic output and consumption may be somewhat smaller than in 1956. In approaching the new year, the industry faces three major economic problems which will require the attention of oil company managements.

First, there is the problem of working off the large gasoline inventories which have accumulated during the year. On Nov. 30, gasoline inventories were about 18 million barrels, or 11%, above those of a year ago. This problem is particularly distressing because it is one that could easily have been avoided through more prudent management of refinery operating schedules. A reduction of only 109,000 barrels per day in refinery runs during the seven months, April through October, accompanied by a reduction from 49.7% to 49.4% in gasoline yields, would have decreased gasoline production by 16.5 million barrels and would have held gasoline inventories at reasonable levels. Meanwhile, the necessary distillate production could have been secured by merely increasing distillate yields from 22.4% to 22.7%.

A second problem facing the industry in the new year will be that of working out arrangements to relieve the shortages of petroleum products in Europe which have been caused by the trouble in the Middle East. Furnishing oil to Europe from this country is largely a problem of transportation; first by pipeline to the coastal areas and, subsequently, by tankers to points of consumption. The necessary rearrangement of available transportation facilities can best be accomplished through coordinated action on the part of individual oil companies. The President of the United State has already taken the necessary steps to permit such action to take place.

In our efforts to help Europe, we should guard against precipitous measures which might impair the health and vitality of the domestic industry. Crude oil stocks in this country were excessive at the time of the Suez crisis. Some withdrawals from these stocks have already been made for shipments to Europe. Additional withdrawals should be made, particularly from the high stocks in inland areas, before domestic crude oil production is increased to any material extent. Otherwise, we may experience aggravated crude surpluses inland while running short in coastal areas. It is also important to recognize that European demand will be primarily for crude oil, distillates, and residual fuel oil and will not occasion any major liquidation of the large gasoline inventories in this country.

Finally, the oil industry will carry into the new year the burden of rising oil finding and development costs which, during the past three and one-half years, have not been relieved by any advances in crude oil prices. The world-wide shortages of crude oil arising from the Middle Eastern situation and the upward trend in oil finding and development costs may, however, soon bring the crude oil price advances which have been in the offing for many months.

LYLE McDONALD

Chairman of the Board, Public Service Electric and Gas Company

In 1957, for the second successive year, expenditures by Public Service Electric and Gas Company for electric and gas additions and improvements to its plant and properties will exceed $100,000,000, again setting a new all-time high for the company. Construction expenditures for 1956 will total approximately $119,000,000, and for 1957, will be upwards of $130,000,000.

Lyle McDonald

In the past five years, Public Service has spent over $450,000,000 for plant additions and improvements.

Two major electric generating stations are under construction by Public Service, one of which, the Linden Station, is expected to be ready for operation this year. Preparation of the site for the other new station, the Bergen Station in Ridgefield, began in 1956. The Linden Station will have two electric generating units of 225,000 kilowatt capacity each and the Bergen Station will have two units of 290,000 kilowatt capacity each. One of the units at the Bergen Station is scheduled for service in 1958 and the other in 1959.

Because of the expected continuing demands for electric service, the company is planning the construction of an additional generating station to have an initial capacity of 300,000 kilowatts.

Upon completion of these installations, the total effective generator capacity of the company's eight stations will be 3,352,500 kilowatts. This will represent a 59% increase in capacity over 1956.

During 1957, the company plans to install 3,000 miles of wire, 6,200 distribution transformers and 8,200 street lights; and, in addition, set 11,500 poles and 28,000 electric meters.

The expanding demands for gas service will also require additions and improvements to the facilities of the company. A major part of the increased requirements is expected to stem from the addition of new gas-heating customers. More than 28,000 of such customers were added during 1956 bringing the total number of gas-heating installations to approximately 190,000. During 1957, the company plans to install 280 miles of gas mains and 30,000 gas meters.

The program of converting customers' appliances from mixed gas operation to the use of straight natural gas in those outlying sections of the territory close to natural gas pipelines is being continued and during 1957 will affect approximately 90,000 additional customers. By the end of the year more than 200,000 customers will be served with straight natural gas.

To summarize, because of the continuing growth in demands for electric and gas services, the year 1957 promises to be one of record activity for Public Service Electric and Gas Company.

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WILLIAM A. McDONNELL

President, First National Bank in St. Louis, Mo.

It is now clear that 1956 will be another record year for our economy as a whole. The Gross National Product —the dollar value of all goods and services produced in the year—will total about $411 billion or higher, about 5% above the previous record year of 1955. Industrial production also set a new high mark, although here the gain over 1955 will be more modest, 3 to 4%.

W. A. McDonnell

These records in the aggregate statistics are particularly striking in view of developments during the first six months when the level of employment and trade was well maintained and the psychology of a boom preserved, despite a massive redirection of output away from certain key consumer industries and toward business investment.

While personal incomes and employment rose practically without interruption through this first half, automobile production fell to about 75% of the comparable 1955 period and housing starts fell to about 80% of similar 1955 levels. The declines in these critical components of the American economy, which, moreover, were followed by a steel strike of a month's duration at mid-year, were more than compensated for by a dramatic expansion of business spending in machinery industries and in non-residential construction. Consumer spending for nondurable goods and services continued to be well maintained and expenditures of state and local governments also tended to rise. The levels of export trade exceeded those of 1955.

Now as to the outlook for 1957. In the area of business spending it appears likely that the level of business outlays, as indicated by reported capital appropriations of manufacturing industries, will persist for a considerable time at levels substantially above those of 1956. Enlarged demands in the American economy arising from the Suez situation would seem to support this assumption.

In the area of consumer spending, the satisfactory reception of the new automobile models to date point to the likelihood of a 10% increase in automobile sales for 1957 as compared to 1956. The steps that are being taken to ease mortgage borrowing may well result in some mild improvement in residential building. General retail volume is being satisfactorily sustained and some stimulation may be expected from the current uptrend in wage rates, whose rises thus far have generally exceeded rises in prices.

In the area of government spending, some increase in defense spending by the Federal Government is likely to stem from the existing international crisis. State and local governments may be expected to increase outlays as projected road, school, and other building programs are implemented.

Everything considered, the outlook for 1957 appears good. However, with the economy at levels of activity so close to full utilization of resources of manpower and materials, as well as credit, the alternative dangers of inflation and readjustment are not to be ignored. As yet there is no clear evidence that the business cycle has been brought under full control. Accordingly, business optimism is ever to be tempered with an appropriate degree of caution.

PATRICK B. McGINNIS

President, Boston and Maine Railroad

Outlook in the field of railroad operations and finance for the future years continues to be hopeful and tentatively optimistic. America is growing. More people require more goods and more services than ever before. Business based on meeting the wishes of an expanding population and economy is healthy. Our provisional optimism is based on several major changes concerning our business that may not happen for several years to come. Both of these changes are desperately needed by the railroad industry if it is to survive as one of the basic and inherently efficient methods of transport in this nation.

Patrick B. McGinnis

The first, and perhaps most important, is the close examination and revision of government regulation in the railroad industry. Because of long-since outmoded restrictions on our business, we cannot compete with other carriers or anything approaching equal footing. We are forced to try to carry on the business of transportation of people and goods where competing forms of transport are not regulated at all, or as much, or in the same manner as the railroad industry.

The second and perhaps almost equally important change is the realization of local public regulatory bodies that each service offered by the railroad industry must be financially sound and able to stand on its own feet. One service must not be subsidized at the expense of another. Each service performed must show on the balance sheet the justification for continuance and/or expansion or cutback. The railroads have been held back for many years from exercising its own prerogative in deciding the profit and loss results of its business. Regulatory bodies of many states have not kept pace with simple economic laws of allowing the railroads to operate their companies as a going business. Where certain branch lines have dwindled from lack of patronage by the public and the railroads have consistently shown the branch lines were extremely unprofitable, regulatory bodies have been consistently reluctant to act impartially after hearing the railroad's factual side of the story.

Of these two changes just mentioned, one of the most important by-products is the right and chance to make a profit.

Many years ago the Interstate Commerce Commission set a standard rate of return of 6% on money invested in the railroad plant. This rate has not changed in many years despite the decreasing valuation of the dollar. Moreover, in addition to this fact, there is a condition far more serious. Money invested in railroad property throughout the United States is currently earning less than 4%. It will surprise many to learn there are no more than a handful of carriers today earning anything approaching the ICC figure.

In order to continue in business, our stock must remain on the open market, earmarked with a reputation as a good investment. If we continue to be set back by strict government regulations which should have been thrown out 40 years ago, and if we cannot operate our business as a business, then we cannot hope to make a profit and remain on equal footing with other American industry. If anyone doubts the value of the railroad industry, let me state that it was proved conclusively during the last war that our role in the nation's economy and first line of defense was indispensable.

The railroads are the most economical form of bulk-transport yet invented in the history of the world. We haven't scratched the surface of operating and bookkeeping economies. There is a great field for expansion of efficiency in our business. We have changed our entire motive power picture since World War II. The diesel engine now heads up 85% of the freight train mileage run in the United States. Our capital improvements program is fantastic. We have spent $11 billion for improvements since World War II. This money was spent by the railroads themselves on their own property without tax subsidization. Our maintenance of way picture has changed. Mechanized and efficient equipment is the by-word today. Milions have been spent in this feature alone. All of this talk of efficiency would be in bad form if you couldn't measure results. We can.

Continued on page 94

THE MEADOW BROOK NATIONAL BANK

CONDENSED STATEMENT OF CONDITION

AS OF DECEMBER 31, 1956

MR. "MEADOW BROOK"

ASSETS

Cash on Hand and Due from Banks	$ 32,737,053.31
U. S. Gov't Securities	75,496,063.97
Other Bonds & Securities	12,391,633.61
Loans Guaranteed or Ins. by U. S. Gov't Agencies	39,895,611.42
Other Loans & Discounts	120,732,926.59
Bank Buildings	5,045,103.07
Furniture & Fixtures	1,156,544.04
Other Assets	1,870,729.79
TOTAL	$289,325,665.80

LIABILITIES

Capital	$ 7,484,750.00
Surplus	7,709,290.00
Undivided Profits	2,537,823.28
Total Capital Accts.	$ 17,731,863.28
Reserve for Possible Loan Losses	4,948,332.54
Unearned Interest & Discount	2,147,441.41
Reserve for Taxes, Interest, etc.	796,225.64
Demand Deposits	132,516,031.90
Time Deposits	131,185,771.03
Total Deposits	263,701,802.93
TOTAL	$289,325,665.80

THE MEADOW BROOK NATIONAL BANK OF FREEPORT ORGANIZED 1905

the MEADOW BROOK *national bank*

Convenient Offices Throughout Nassau County

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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Federal Reserve Bank of St. Louis

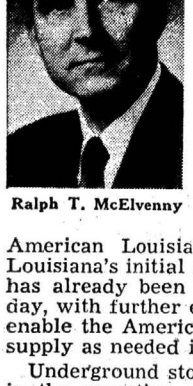
Continued from page 93

Because of yard, roadway, and motive power improvements, the railroads were able last year to break all previous efficiency records in ton miles per freight train hour, in daily mileage of locomotives and cars, and in the average speed of both freight and passenger trains, and in net tons per freight train. This is just the beginning. We are trying to plan optimistically. We are trying to operate our businss efficiently in order to compete, to make an equitable return on investment, and to lower the costs of operation. Although these benefits are directly passed on to the consumer, we are vigorously working for, and hopefully awaiting the day when enlightened, elected representatives of our fellow citizens will take the proper steps in local, state, and Federal government to allow us to serve them better.

RALPH T. McELVENNY

Chairman, American Natural Gas Service Co.

The American Natural Gas Company system is continuing its rapid growth, made possible by its expanding markets and the construction of its new pipe line to tap the rich gas producing areas of the Louisiana Gulf Coast. For many years a major problem in our system has been the obtaining of adequate supplies of natural gas. Great volumes were required for industry and to serve the remunerative house heating market, practically untapped prior to 1949. In that year American Natural completed construction of its first system-owned pipe line, bringing gas from the Panhandle area of Texas. Even though the capacity of this pipe line was doubled in 1950, the gas supply was inadequate to meet the constantly increasing demands. In August, 1956, American Natural placed in operation its second pipe line, built and operated by the American Louisiana Pipe Line Company. American Louisiana's initial daily capacity of 300,000,000 cubic feet has already been expanded by 60,000,000 cubic feet a day, with further expansion pending. The new line will enable the American Natural system to augment its gas supply as needed in the future.



Ralph T. McElvenny

Underground storage fields are most important factors in the operation of our integrated natural gas system. It is only through the use of the great storage capacity of these partially depleted gas producing reservoirs that the full potential of the profitable house heating market, the backbone of a distribution operation, can be realized. When storage fields are strategically located in close geographical proximity to distribution markets, their value is further enhanced. Our system has such fortunate conditions. We have storage fields in central and west central Michigan with working storage capacity of approximately 100 billion cubic feet. On a day of peak demand, the fields can readily deliver in excess of 1.7 billion cubic feet. This is approximately two and one-half times the combined daily delivery capacity of our two pipe line companies. The fields also permit our pipe line companies to operate at a very high load factor throughout the year, with resultant efficiencies and economies.

Our markets are located in areas of cold temperatures, where a large and profitable heating load is readily available, and we serve some of the most highly industrialized and rapidly growing sections of the country. Among the principal areas served are Detroit, Grand Rapids, Muskegon and Ann Arbor, Michigan, and Milwaukee, Wisconsin.

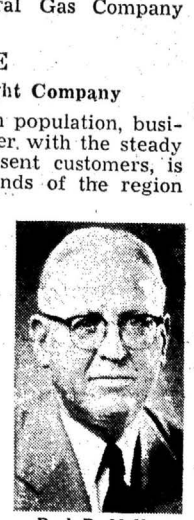
With our new pipe line, we now have a well-balanced operation of gas supply, underground storage fields strategically located, and large and growing markets.

The new year, 1957, promises to be one of good business generally and a year of further growth and prosperity for the American Natural Gas Company system.

PAUL B. McKEE

President, Pacific Power & Light Company

Growth of the Pacific Northwest in population, business, industry and agriculture, together with the steady increase in use of electricity by present customers, is expected to double the power demands of the region in the next ten years. This means a busy period of expansion for the electric utilities.



Paul B. McKee

Use of electric energy by customers of Pacific Power & Light Company has increased 60% in the past five years. Average annual use of electricity in homes on our lines has now passed 6,500 kilowatt hours, and such new appliances as electric clothes dryers are only beginning to make an impression statistically. We look confidently for an average annual home use of 10,000 kilowatt hours within the foreseeable future.

Industrial sales of electricity have risen in step with the system's total load growth and we expect to see continued expansion. Large population increases are making the Pacific Northwest an important market in itself for manufacturers and processors. The wood products industry, one of the Northwest's major activities, is moving rapidly toward more complete utilization of chips and waste for hard and soft board, pulp and paper. This means a broader base of manufacturing operations and greater demands for industrial power. Sustained yield management of forest lands insures a long-term outlook for the wood products industry.

Because of the region's favorable crop conditions, the canning and freezing of fruits and vegetables may be expected to grow in importance. Agriculture is highly diversified. Rural use of electricity to reduce costs and increase production will increase in the future as it has in the past.

Recent advent of natural gas service in many Pacific Northwest communities will stimulate development and have broad benefits to the economy of the area. Electric utilities will share in this progress.

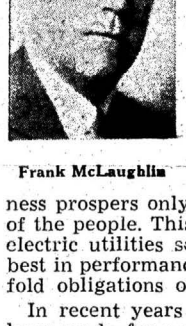
Problems of the region are generally those of expansion and progress. The outlook for the Pacific Northwest is bright. It is a favored region because of its climatic and geographic advantages. It has many resources to be developed to serve the needs of an expanding nation.

I look for an impressive record of growth in the years immediately ahead.

FRANK McLAUGHLIN

President, Puget Sound Power & Light Company

Who can but say that the outlook for the electric utility industry is for continued growth? To do otherwise is to sell this country short when the future holds great promise.



Frank McLaughlin

With each passing year, through ever-expanding areas of use and a steady stream of new applications, electric power becomes even more indispensable to the better and more abundant life and to the economy and security of our nation. Anything so basic to life as electric service must of public necessity be enabled to be healthy and to thrive. It would be catastrophic if the electric utilities were in any way prevented by man's shortsightedness from being strong and dynamic. Likewise the electric utility industry must never forget that we in America live in a free choice society and a business prospers only by the will and bestowed confidence of the people. This is the key to the greater destiny the electric utilities seek and can only be achieved by the best in performance and faithful fulfillment of the manifold obligations of a public trust.

In recent years dramatic changes in public attitudes have made for a much improved power outlook in the Puget Sound-Cascade region of Washington. Of the utmost significance is the deep-seated desire of the people for the new cooperative approach on power, which is also strongly and widely supported by the press.

A public opinion survey conducted for Puget during 1956 by Elmo Roper and Associates shows that by a better than 2 to 1 margin the people of this region reject the idea of Federal control of their electric utilities, and that by a nearly 3 to 1 margin they prefer the concept of cooperation between public and private power to either alternative of all public or all private power. A substantial majority feel that it is essential for private and public power to cooperate and work together, instead of being at each other's throats.

Out of this mood of moderation emerges overwhelming public support (better than 15 to 1) for the Puget Sound Utilities Council. This unique cooperative undertaking, the first endeavor of its kind in the entire country, includes Puget, the Seattle and Tacoma municipal systems and the Chelan and Snohomish Public Utility Districts, and has made marked progress during the past year. Investigation is going forward on about 2,800,000 kilowatts of additional capacity, of which 1,200,000 kilowatts has been licensed for construction by the Federal Power Commission. Realization of Puget's present plans, in cooperation with the other Council members, will provide power adequate to meet a peak demand of around 1,000,000 kilowatts by 1965, or more than double that of 1955.

We in this region are able to contemplate such expansion because we know we are in step with the people in our philosophy and program for bringing ample low-cost power to the region. Even when power was interjected into the 1956 election campaign it did not become a political football. As Louis Harris, who conducted the Roper survey for Puget, reported after some soundings made for others: "It was apparent well into the campaign that the power issue in the Pacific Northwest was not an issue with the voters. In fact, to the contrary, people want to see public and private power live side by side, working together for positive expansion and growth."

The company spent about $21,000,000 in 1956 and an expenditure of around $25,000,000 is scheduled for 1957 as part of a $90,000,000 construction program planned for the years 1956-1959. This will increase the size of our company by almost 60%.

The year 1956 was a good one for Puget, the best we have ever had, and all signs indicate that 1957 will be even better. This marked progress reflects the growth of the great area that we serve, great in physical resources and natural advantages, but greatest of all in the people who live here. Physical resources come to life only in the hands of creative people, and it is they who provide the foundation for our faith and confidence in a greater tomorrow.

JOHN E. McKEEN

President, Chas. Pfizer & Co., Inc.

Another year of good business is on the horizon for the chemical industry, with sales volume in 1957 running ahead of the estimated $24 billion achieved last year. At the same time, however, profit rates in the chemical industry are not likely to keep pace with sales increases in the year ahead. Behind this squeeze on profits are increased operating costs coupled with competitive conditions within the industry which will probably keep price increases to a minimum.

John E. McKeen

Profits for some companies in the pharmaceutical segment of the industry may rise somewhat but not at the same rate as sales. As in the rest of the chemical industry, earnings will be tempered by rising costs and a generally stable level of prices with highly competitive conditions existing throughout the year. However, those firms with successful research programs and aggressive marketing plans can expect to do relatively better profitwise than the average in the pharmaceutical field.

Since the troubled international situation virtually rules out any substantial tax reductions, industry will have to shoulder a major share of the increased production costs.

Despite the likelihood of narrower profit margins, there are strong signs of continued progress for the chemical industry in 1957. The industry today reaches deep into every phase of life and provides the raw materials needed by every other major industry. This diversity of markets has an important stabilizing effect, for a short-term downtrend in any one segment of the economy is not likely to have a lasting effect on the chemical industry as a whole. With general industrial output slated to continue at near peak levels, chemical plants will continue to operate in high gear.

As the basic supplier of materials needed to keep factory and farm wheels turning throughout the world, the U. S. chemical industry serves an expanding market growing at the rate of 2.5 million new Americans each year. On a global basis, population is mushrooming at the rate of 80,000 a day—another form of insurance for the industry's long-term growth.

Yet, to gain and hold these expanding markets against the resurgence of a strongly competitive overseas industry, American chemical manufacturers this year will have to place increasing emphasis on research, salesmanship, marketing and technological progress. Chemical industry research investment in 1957 is expected to total $400 million. In the pharmaceutical branch of the industry, where research expenditures are heaviest, five cents out of every sales dollar is ear-marked for discovery and development of new products and processes. This investment is paying dividends, both in raising health levels around the world and in spurring the industry's progress.

Although the general curve for the chemical industry in 1957 is moderately upward, individual companies will vary up and down on either side of the line. There are bound to be reversals in some segments of every industry. This is the price exacted for operating in a free competitive system, where private management holds the reins of business. In the long run, it is a price well worth paying.

CRANDALL MELVIN

President, The Merchants National Bank & Trust Company of Syracuse, New York

Our economy is booming. The best single measure of our economic welfare is the Gross National Product: the monetary value of all the goods and services produced in this country in a year. Recently Gross National Product has been roaring along at an annual rate of nearly $414 billion, up $17 billion from 12 months earlier. Even the Federal Reserve Board Index of Industrial Production is at an all-time peak. Its recent record has been as follows:

Crandall Melvin

1949	97
1951	120
1953	134
1955	139
Nov. 1956	147

Our total labor force including the armed forces is over 70½ million persons and unemployment is relatively small (3.6% of the civilian labor force). Personal disposable income and personal consumption expenditures are at all-time peaks. It is significant that with the high rate of personal consumption expenditures, now at a $267 billion annual rate, personal savings are also at a high level as may be seen below:

	Personal Savings (Billions)	Savings as a % of Disposable Income
1947	$7.6	4.0
1951	17.7	7.8
1953	19.7	7.9
1955	16.6	6.1
1956 (3rd Quarter)	21.4	7.4

Also noteworthy is the fact that savings are a healthy percentage of even this high rate of personal income. The American consumer is not overburdening himself

with debt and he has the wherewithal with which to buy if he so chooses.

Two large and important elements supporting our Gross National Product are Federal expenditures for National Security and business expenditures for New Plant and Equipment. National Security expenditures are currently running at an annual rate of $41.9 billion, up $600 million from a year ago. The trouble in the Middle East and Russia's exposure of her true self in Hungary would indicate defense expenditures are more likely to increase than they are to decrease.

Business expenditures for New Plant and Equipment have really been explosive in the last year and a half. The following data will present the story:

Expenditures for New Plant and Equipment
(Billions of Dollars)

1949		$19.3
1951		25.6
1953		28.3
1955		28.7
1956, 1st Quarter		32.8
2nd Quarter		34.9
3rd Quarter		35.9
4th Quarter	Estimated	37.3
1957, 1st Quarter	Estimated	38.0

Notice how the big increase here took place since 1955. The current issue of the First National City Letter states —"spot checks of key firms and localities indicate that business men anticipate an increase in plant and equipment outlays somewhere in the neighborhood of 10%." These two factors of spending for national defense and spending for new plant and equipment are two powerful items which will tend to support economic activity on a high plane in 1957. With interest cost a tax deductible expense, the higher cost of funds is not likely by itself to curb business outlays for new plant and equipment.

In the field of commercial banking the outlook is also good. The December issue of the Federal Reserve Bulletin has an excellent article on "Capital Markets in 1956" with an analysis of the demand and supply of funds. As everyone knows, interest rates have risen. Obligations of the Federal Government maturing in three months now yield 3.26%. During 1955 their average yield was 1.75% and during 1954 their average yield was only 1.1%. Marketable Government bonds maturing in less than two years (June 15, 1958) yield 3.66% and U. S. Treasury bonds, the 2½s of December 15, 1967-72, sell today for less than 88% of their par value. This rise in interest rates reflects the large increase in the demand for credit. In order to help meet this demand the commercial banks have, of course, increased their loans and at the same time they have decreased their holdings of Government bonds as is shown below.

All Commercial Banks
(Billions of Dollars)

	Loans	U. S. Government Obligations
Dec. 31, 1945	$26.1	$90.6
Dec. 31, 1947	38.1	69.2
Dec. 30, 1950	52.2	62.0
Dec. 30, 1954	70.6	69.0
Dec. 31, 1955	82.6	61.6
Oct. 31, 1956	88.8	57.4

Commercial banks have found themselves in an increasingly "loaned up" position and the Federal Reserve Bank of New York has raised its discount rate six times since April 15, 1955, thus making it more difficult for member banks to borrow funds. "Free reserves" (excess reserves of the commercial banks less their borrowings) have been negative for all member banks as a whole for each of the first ten months of 1956. Under such conditions commercial banks have improved the quality of their loan portfolios and as loans yield more than do bonds, the income of banks has been high.

It is, of course, sound from the point of view of our economy as a whole that restraints on credit continue. When our economy is running full speed as it is now any general increase in bank loans merely makes more dollars available but does not increase the supply of goods. The result of such a situation would merely be further inflation.

In conclusion it may be said that with the outlook for a continuation of the current high level of business activity, interest rates should continue to be firm and commercial banks should continue to enjoy good business in 1957.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Arkansas

Arthur E. McLean

The year 1957 will be one of further growth and an expansion of our economy. If this can take place at a slower rate, I think that the country will be better off. Inflation is still with us and checking this remains a problem.

National income will remain at a high level, but business and industry will face keen competition, and many lines of business will have difficulty profitwise.

Farm problems still remain to be solved, and outside our borders we face grave and serious world situations. Nineteen fifty-seven promises to be at least an interesting year.

B. H. MERCER

President, Fidelity and Deposit Company, Baltimore, Md.

Fidelity business, generally referred to as dishonesty insurance, will snow a normal premium increase because 1957 is the anniversary year of a great many risks written on a three-year term basis.

B. H. Mercer

There have been some recent losses of catastrophic proportion which emphasize as no sales campaign or industry advertising could possibly do, the need for adequate dishonesty insurance. Outstanding among such losses is the case of a highly respected business-woman and community leader who stole approximately $3 million from the financial institution with which she had been associated since 1928. No new or spectacular methods were employed by this embezzler who, incidentally, is just beginning a 20-year prison term. Quietly, but quite efficiently, she proved once again how easily the trusted employee can ruin financially the trusting employer. However, by reason of the size of the loss and interesting sidelights, the case received countrywide front-page publicity and newspaper and magazine articles featured it under such captions as "Miss Minnie's Millions." Judging from the inquiries and orders we have received as a result of this and similar less publicized incidents, there is every reason to believe that volume-wise 1957 will be a banner Fidelity year. Then, too, agents and brokers realizing that heavy losses inevitably result in higher premium rates are making haste to close sales at present prices.

Heretofore the question most perplexing to both client and agent was, "How much dishonesty insurance should I carry?" The answer is found in a new and scientific formula prepared by The Surety Association of America, a copy of which is available through the Association or any member company. Proper use of this formula should definitely increase sales.

The term Surety includes several types of bonds. Those guaranteeing performance of contracts, known as contract bonds, produce better than 60% of the total Surety volume, hence Surety production in a given year depends to a large extent on construction activity in that year. The experts predict that dollar value of contract awards in 1957 will exceed those of 1956 by about 7%. My own feeling is that restraints on credit will curtail to some extent residential and other private construction, but will have little effect on heavy engineering and related public projects which produce a high percentage of contract bond premiums.

Present indications are that Surety premiums in 1957 will be well ahead of 1956.

But in our business, losses must be included in any forecast.

Despite the unprecedented volume of cash securities and merchandise handled by so many people, very large dishonesty losses have been comparatively few. It is felt by many in our industry that a trend toward such losses is definitely under way—first because defalcations are on the increase, and secondly because employers are buying large amounts of insurance. This leads to but one conclusion: That Fidelity losses will increase both in frequency and in severity.

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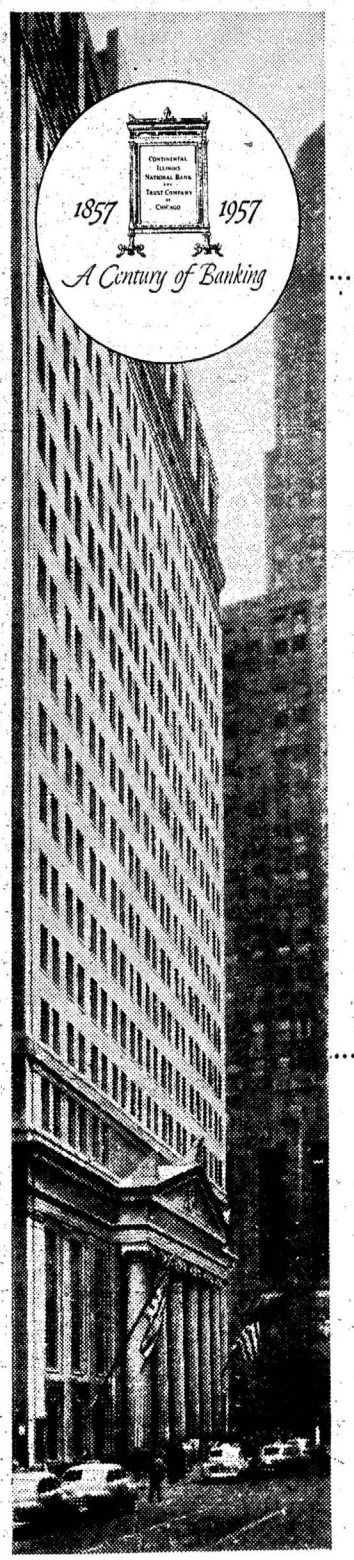

CONTINENTAL ILLINOIS
NATIONAL BANK and TRUST COMPANY OF CHICAGO

Statement of Condition

December 31, 1956

RESOURCES

Cash and Due from Banks	$ 671,049,560.83
United States Government Obligations	731,057,257.54
Other Bonds and Securities	175,241,080.83
Loans and Discounts	1,166,841,545.41
Stock in Federal Reserve Bank	6,450,000.00
Customers' Liability on Acceptances	1,776,932.26
Income Accrued but Not Collected	9,346,756.66
Banking House	7,500,000.00
	$2,769,263,133.53

LIABILITIES

Deposits	$2,496,971,564.75
Acceptances	1,776,932.26
Reserves for Taxes, Interest, and Expenses	13,935,347.27
Reserve for Contingencies	18,106,691.88
Income Collected but Not Earned	2,354,847.20
Capital Stock (2,700,000 shares since Feb. 14, 1956. Par value $33⅓)	90,000,000.00
Surplus	125,000,000.00
Undivided Profits	21,117,750.17
	$2,769,263,133.53

United States Government obligations carried at $209,132,676.62 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Board of Directors

WALTER J. CUMMINGS, *Chairman*

J. Q. ADAMS, Real Estate
CHAUNCEY B. BORLAND, *Managing Owner* Borland Properties
CHAMP CARRY, *President* Pullman Incorporated
ALFRED COWLES, Cowles Properties
D. A. CRAWFORD, Retired
EDWARD A. CUDAHY, *Chairman of the Board* The Cudahy Packing Company
JOHN F. CUNEO, *President* The Cuneo Press, Inc.
CALVIN FENTRESS, JR., *President* Allstate Insurance Company
LAWRENCE P. FISHER, *Director* General Motors Corporation
CHARLES Y. FREEMAN, *Director* Commonwealth Edison Company
WILLIAM A. HEWITT, *President*, Deere & Company
JOHN HOLMES, *Chairman of the Board* Swift & Company
THEODORE V. HOUSER, *Chairman of the Board* Sears, Roebuck and Co.
DAVID M. KENNEDY, *President*
JAMES R. LEAVELL, Banker
WILLIAM H. MITCHELL, *Partner* Mitchell, Hutchins & Co.
ROBERT H. MORSE, JR., *President* Fairbanks, Morse & Co.
PETER V. MOULDER, *President* International Harvester Company
H. A. SCANDRETT, Railroad Executive, retired
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Continued from page 95

Surety losses will in all probability increase. The tremendous and ever-increasing volume of contract awards has created new and difficult problems even for experienced and qualified contractors. It is anticipated that contract defaults will increase during the year with resultant higher losses to surety companies on contract bonds.

In summary, the outlook for our business is: More premiums and higher losses. The former should counterbalance the latter and leave a reasonable profit if conditions now prevailing continue through the year.

ROBERT G. MERRICK

President, The Equitable Trust Co., Baltimore, Md.

I have never believed that any man is endowed by nature, or equipped by study, with the tools or ability to foresee the future with any reasonable degree of accuracy, particularly when projected as far as a year or longer. However, barring events not apparent at this time, I am inclined to agree with those who believe that the business pattern of 1956 will continue well into 1957 and possibly throughout the entire new year.

Robt. G. Merrick

Insofar as the banking system is concerned, there are certain factors which indicate, to my mind, that 1957 should be a good year from the standpoint of earnings and growth in liquid capital funds. This should prove true even in the face of operating costs which continue to rise, increasing interest paid on savings accounts and if the 1956 pattern of almost static deposits should again prevail. All types of banking services are expanding with the economy, and the income derived from these services is increasing. The demand for funds should continue high, and interest rates, although they may not rise much higher, should at least level off in an area well above that of recent years. Then, too, the banking system has not as yet derived the full benefit which it will eventually receive from the rapidly increasing interest rates in 1956, since the replacement of fixed low rate loans and investments with higher rate items proceeds at a slow pace.

A slowing up and eventual leveling off of rising interest rates would bring an end to the declining bond prices which has been part of the money market pattern for over two years. This factor would moderate and finally bring to a halt the constant depreciation in the investment portfolios of the banking system, thereby placing capital funds on a more solid foundation.

During the little over a decade since World War II ended, the banking system has invested very large amounts of capital in expanding branch office systems and facilities, in those states where permitted by law, and in long overdue renovating, modernizing and acquiring new and more efficient equipment. Many thousands of banks now have most of these types of expenditures largely behind them, at least for a few years, and hence should be able, going forward, to retain a larger percentage of their earnings in liquid capital funds.

BEN R. MEYER

Chairman of the Board and President, Union Bank & Trust Co., Los Angeles, Calif.

According to the U. S. Department of Commerce statistics, Los Angeles Metropolitan area by 1954 became the nation's third largest industrial community. From 1947 to 1954 value added by this area's manufacturing increased over 150%. This was three times the average increase for New York, Chicago, Philadelphia, and Detroit. More recent data indicate this rate of growth is continuing. Certainly the momentum of industry and population gain shows no appreciable signs of diminishing at this time. The growth of metropolitan environs, including north, northeast and southwest arid and semi-arid desert regions around Los Angeles is equally spectacular. These areas have come alive with government, industry, agricultural and resort activities. Air conditioning, television, water districting, electrification and better transportation facilities and roads are making many parts of the southwest United States much more habitable and thereby broadening the scope of the Los Angeles area as a trade and manufacturing center.

Ben R. Meyer

Insofar as actual banking problems are concerned, we differ from the rest of the country by degree only. Acquiring new capital, meeting justifiable credit demands, improving operating techniques and providing physical facilities are common requisites for keeping pace with our dynamic national economy. Of course our local economy has and will continue to change to the extent that increased manufacturing activity makes us more sensitive to national and international markets. Loan and investment policies must therefore be planned accordingly. They also must be based on a conscientious effort to cooperate with the Federal Reserve Board in its fight against inflationary forces.

In conclusion, it seems apparent that most banking operations in this area are endeavoring to meet current expansion requirements. At the same time, we trust and hope that the defensive aspects of prudent judgment in extending bank credit in a period of high economic activity are given adequate consideration. This is a phase of our business to which too much attention cannot be given at this time.

It is also gratifying to see most bank operating earnings throughout the country rising this year. This trend should continue as demand for bank credit and the rates therefor remain firm.

LEE P. MILLER

President, Citizens Fidelity Bank and Trust Company Louisville, Ky.

Never before have so many Americans been able to enjoy so much of the good things of life as they have during 1956 . . . especially in the Southeastern portion of the United States. Here, it was a year in which employment and personal income reached record levels and goods were produced and purchased in near record amounts.

Lee P. Miller

Using the facts and trends of 1956 as a measuring stick, I feel certain that, at least for the near future, the business point of view of the Southeast is clearly optimistic and, overall, a high level of activity should extend through the first half of 1957 with the accent on industrial expansion.

The decline in residential construction, as the Southeast is nearer to the fulfillment of the demand for housing, should be offset by building for business and the construction of roads and other public facilities. As the year 1956 closed, and business continued at a high level, demands for credit still outpaced savings but with personal incomes at an all-time high, it seems there will be little slackening in this demand in the months immediately ahead.

Reduced margins of profit in some lines, the threat of excessive inventory accumulation, and the disturbing influences in the Middle East and in Hungary seem to call for alertness as well as prudence and proper restraint on the part of Government, Business, Finance, Labor and Agriculture.

In Citizens Fidelity's own State and trade area, industrial growth promises to continue in a general atmosphere of progress. Plans are already in the making for the adding of even greater facilities that go with a large industrial center, and agriculture predicts even greater price averages.

All-in-all 1957's economic picture for the Southeast promises to be another record-breaker.

R. L. MILLIGAN

President, The Pure Oil Company

The Petroleum Industry entered the past year in fair balance. However, under the impetus of a colder than normal winter, refinery runs were stepped up to meet the demand for burning oils. Gasoline inventories were abnormally high at the winter's end, and the excess was not absorbed in summer months. For many years the peak in the demand for petroleum products coincided with the peak demand for gasoline about Labor Day. In more recent years the peak has shifted to the peak of demand for burning oils at the end of the year. This means that gasoline, necessarily manufactured in order to meet the demand for burning oils, must be stored at a time of lessened demand. Weakening in the price structure almost always results.

R. L. Milligan

The 1956 increase of 5½% in overall domestic demand was higher than anticipated. The increase was more than met by increased imports. This worked against a normal increase in prices for crude oil. An increase otherwise was warranted because of increased labor and material costs. Also there has been an increase in costs of discovery and production by virtue of a substantial reduction in barrels found per foot drilled since the last general increase in price.

The Suez crisis has further demonstrated the need for a healthy domestic petroleum industry. It is doubtful that the present rate of production could be sustained by the results of exploratory and development drilling over the past decade, in spit of the greatly increased number of wells drilled. This emphasizes the need for a price and tax structure that will encourage the drilling of more wells to search for the ever-decreasing supply of crude oil—a domestic resource which must be relied upon for national defense and a healthy industrial economy.

In the present emergency which requires supplementing the supply of crude oil for Europe, the demand should be abnormally high until the Suez Canal is restored to use. Domestic demand in 1957 is expected to increase at approximately the same rate as that of the past year. Any increase in crude oil prices must be reflected in petroleum products prices in order to maintain a healthy industry.

There has been a growing tendency for certain segments of the industry to resort to Government agencies for a solution of industry problems. Certain politicians have welcomed the opportunity of intervening in a popular trend. There seems to be considerable confusion as to what constitutes the public interest. So far the most vocal have been the ones to receive the greatest attention.

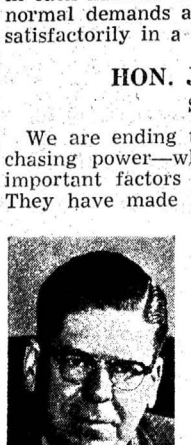
The industry is greatly in need of a solution to the problem of removing the production of gas from the status of a public utility. Unfortunately a very small and overzealous segment of our industry has placed the vast majority in a bad light. The need for remedial legislation has been recognized by the President, and we hope that Congress will pass a natural gas bill that will provide proper incentives for more intensive development of this needed and convenient source of energy.

A free and vital petroleum industry has demonstrated in each national emergency its ability to cope with abnormal demands and should continue to perform fully satisfactorily in a favorable political atmosphere.

HON. JAMES P. MITCHELL

Secretary of Labor

We are ending the year with employment and purchasing power—which I believe are among the most important factors in the economy—at all-time highs. They have made healthy gains. The employment increases have been for the production of consumer goods and services and for the expansion of our industrial capacity, in both cases to meet the demands of a rising population and a rising level of living.



James P. Mitchell

I look forward to a continuation of these gains this year. Employment should rise further, notably in the services, and trade, which are becoming increasingly important employers of American labor. Many workers will also receive wage increases—some five million currently have agreements which provide for five to 11 cents an hour more in 1957.

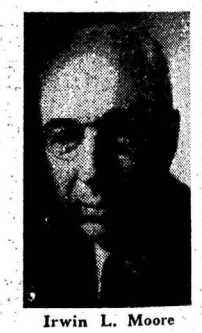
The recent price increases, following upon an extraordinarily long period of relative stability, will of course, bear careful watching. However, it is likely that the increasing capacity of our industry will remove some of the supply difficulties which helped push prices up recently.

In labor-management relations, 1957 ought to be a comparatively peaceful year, since a remarkably large number of major contracts were negotiated in 1956 for periods of two or three years. In addition, I am convinced that each year both labor and industry are showing more maturity in their collective bargaining and a greater awareness of their common responsibilities and interests.

IRWIN L. MOORE

President, New England Electric System

For 1957 we in New England Electric System look forward to continued growth in both our gas and electric sales. In 1956 gas sales increased by 18%, a pace that cannot be maintained indefinitely. However, we do expect the volume of gas sold to continue to increase as more house heating is sold and more new customers and additional appliances come on the lines. Electric sales to industry depend to a large extent on the level of business generally, augmented by increases in connected load as new customers come on the lines and old customers find new uses for our service. Industrial load which has been running at high levels for the past year is expected to reach new high peaks. Assuming, as we do, that industrial production will stay on a high plateau in 1957, our electric sales to industry should be up 5%. Commercial uses of electricity (stores, theatres, service establishments, etc.) have been growing at the rate of 7 to 8% per year and we expect this rate to continue in 1957.



Irwin L. Moore

Largest of our increases is expected in the domestic load where new building, added appliances and increased use of electricity for labor saving, better light and more home convenience keep this segment of our business rising at the rate of 10% annually (the average for the last three years). This rate of increase is expected to continue in 1957.

To take care of this continuously increasing demand for more and more electricity and gas by New England Electric's 743,000 electric and 202,000 gas customers, we expect to spend in 1957 $40 million on our expansion program. A sizable portion of this will be used to install a third unit with a capacity of about 150,000 kilowatts at our Salem Harbor steam-electric station in Salem, Mass. This new Salem unit—expected to be on the line in 1958—represents a significant addition of highly efficient steam-electric generating capacity to our System.

In addition to major construction projects, there is continuing expansion of our transmission and distribution facilities—both electric and gas—to serve new customers as well as the increasing demands of our present customers.

All in all, we expect a continuation in 1957 of the generally good business we enjoyed in territories served by our System in 1956. Total revenues are currently forecast at 8% above 1956. After allowing for increased expenses which are also expected, we estimate 1957 net for New England Electric should be about 5% above 1956.

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R. W. MOORE

President, Canada Dry Ginger Ale, Inc.

The year ahead holds every promise of being an exceptionally good one for the soft drink industry. This is due in part to the fact that consumer purchasing power is at a record high, and that consumers are willing to spend for the products they want. This readiness has, in turn, enabled the industry to adopt more realistic pricing to aid in offsetting the increased cost of operations.

R. W. Moore

Coupled with these favorable factors is the prospect of better summer weather than was experienced in 1956. Last year the industry on the whole was able to establish increased sales despite the fact that the summer was one of the coolest on record. It is natural to expect that the coming summer will be more favorable for the beverage industry. Thus it is safe to forecast that a new high in sales will be recorded this year.

This industry in the past year or two has demonstrated its continuing vitality by upsetting long-established traditions in package size and variety of product. With the stimulus of consumer demand for variety, bottlers are diversifying as never before, by introducing king size packages and a wider selection of flavors. This trend can be expected to continue in the year ahead. In a field as competitive as ours, such innovations demonstrate not only the essential health of the industry, but also its determination to combat outside competition for the refreshment dollar.

Two additional factors may be cited, which regularly have contributed to the growth of the beverage industry, and which will operate in its favor during the year ahead. One is the steady population growth, which creates new consumers for our products at an accelerating rate. The second is the steady expansion of the foreign market, through licensed bottlers operating in foreign countries. The universality of appeal of American soft drinks is a proven fact. It may sound trite but it is nonetheless true that virtually every person on the globe is a potential customer for our product. We have plenty of room for continued and profitable growth.

It is our belief that business generally will be good during the coming year. The momentum of economic development and prosperity should continue, unless affected more than now appears likely by events in the Middle East and Europe. We at Canada Dry are making our plans on this basis, and expect that 1957 will be the best year in our history.

BEN MOREELL

Chairman of the Board, Jones & Laughlin Steel Corporation

Jones & Laughlin Steel Corporation began the New Year well advanced on a stepped-up cost-reduction and expansion program which is scheduled to cost $320 million during the three-year period from Jan. 1, 1956, through Dec. 31, 1958.

Ben Moreell

Our 1957 program will achieve the following objectives:

(1) Jones & Laughlin will become the first completely integrated steel company in the United States to make steel by the revolutionary new oxygen-blown converter process.

(2) We will be the first producer to process steel by means of completely automatic rolling equipment.

(3) Over the period from Jan. 1, 1946 to Dec. 31, 1957, we will have achieved an increase of 55% in our ingot production capacity.

(4) We will have brought into production many new semi-finishing and finishing facilities which will result in a marked improvement in our competitive position in the steel industry.

Developments over the past five years have demonstrated conclusively that "Steel" is in every sense of the word a "growth industry." And Jones & Laughlin's record over the same period justifies the assertion that J&L is a "growth company" in this growth industry.

As far ahead as we can see in 1957 there is every indication that the industry will produce steel at an unprecedented rate. Because of unsettled world conditions, it is not prudent to try to look ahead more than six months. However, under any probable conditions the steel industry should approach full capacity operations in 1957, and Jones & Laughlin should get its share of this business.

In recent months there have been many statements in regard to the need for expanding the steel industry over the next ten years. There appears to be general agreement that we must add to existing capacity approximately 35 million ingot tons of annual capacity, or an average of 3½ million tons per year. The industry has been properly concerned over the difficulty of financing such an expansion because, as time goes on, it becomes more and more difficult to obtain increased capacity by "rounding out" existing facilities. This means that the cost of the new capacity will increase sharply not only because of the need for building so-called "grass root" plants at new locations, but also because of the effect of inflation on construction costs.

The industry is working on this problem intensively. We realize that we must arrive at a realistic solution. We need a procedure which will result in (a) increasing productivity to pay for the steadily rising employment costs, (b) increasing the return to our investors so we can attract new capital to the industry, and (c) maintaining a reasonable price structure which will not discourage users of our products.

I have every expectation that the industry will be able to solve these problems as it has solved other difficult problems in the past.

Jones & Laughlin proposes to proceed vigorously on the basis of its optimistic view of prospects for the coming year.

We have just concluded negotiations with the Rotary Electric Steel Company of Detroit which will permit us to enter the stainless steel business on a highly desirable basis. Our negotiations provide for the acquisition of Rotary's assets and the assumption of its liabilities subject to the approval of the Rotary shareholders at their annual meeting in March, 1957, and the affirmative action of the Jones & Laughlin shareholders with respect to an increase in the number of authorized shares of our common stock at the J&L annual meeting in April, 1957. The closing date of this transaction would be, therefore, the last week in April, 1957. It is our intention to supplement the current operations of Rotary, which involve the melting of stainless and alloy steels and their conversion into hot rolled and cold drawn bars and wire products, by the installation of flat rolled facilities at the Detroit plant of Rotary for the production of stainless steel sheets.

We have materially increased our capacity to make sheet and strip, tin plate, tubular products, cold finished bars, and wire and wire products. We have added new products—galvanized sheets and hot extruded bars. We have expanded the activities of our Warehouse Division, our Supply Division, and our Container Division. We have increased and improved our raw material reserves and we are pursuing active explorations for new ore bodies.

We have greatly expanded our work in Research and Development, in Engineering, and in Personnel Recruitment and Training.

Jones & Laughlin is in a highly competitive industry; we would not have it otherwise, because competition is the essential stimulant for industrial progress. We are not deluding ourselves into believing that the improvement of our earnings and financial stability will come about automatically, and without effort on our part. We know it will take hard work, vigorous and imaginative thinking, foresight, intelligent planning, and a high degree of teamwork. We are prepared to provide all these.

We look to 1957 as a year of great accomplishments for the steel industry, and for Jones & Laughlin.

CLARENCE J. MYERS

President, New York Life Insurance Company

Along with most other businesses life insurance enjoyed another substantial year in 1956. Preliminary figures indicate that sales of new insurance totaled $55 billion, about $7 billion above the record volume posted by U. S. companies in 1955. Insurance in force is estimated at $415 billion as of the year-end, and there now are approximately 106 million policyholders of U. S. companies. Benefit payments to policyholders amounted to $7½ billion—more than $20 million per day. And, finally, assets are estimated at $96 billion, an increase of nearly $6 billion during the year.

Clarence J. Myers

Four hundred and fifteen billion dollars of insurance in force is an impressive total. We in the insurance business are proud of it, but at the same time we are only too aware of the fact that as a nation Americans are still far from adequately insured. The insurance in force in U. S. life companies today is almost exactly equal to one year's production of goods and services, or to put it in another way, the average family has insurance coverage equivalent to less than a year and a half of income after taxes.

Like other businesses, the immediate outlook for life insurance depends to a considerable extent upon the outlook for the economy as a whole. We at the New York Life expect 1957 to be another prosperous year in which the exceptionally large capital additions of the recent past will be reflected in increased output, and increased real income for most American families. There is a great need for new schools, roads and other state and municipal improvements, and an increase in defense expenditures is almost sure to occur. Additions to corporate fixed capital will remain at a high level even if the substantial increases of last year are not

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RHODE ISLAND HOSPITAL TRUST COMPANY

Member Federal Reserve System • Federal Deposit Insurance Corporation

Statement December 31, 1956

RESOURCES

Cash and Due from Banks	$ 61,246,576.26
U. S. Government Obligations	82,763,426.93
Obligations of U. S. Government Agencies	2,126,500.00
State and Municipal Obligations	15,551,302.65
Other Bonds	609,378.28
Stock of Federal Reserve Bank	618,600.00
Other Stocks	414,086.31
Loans and Discounts	147,721,314.90
Banking Houses	3,150,000.00
Customers' Liability on Acceptances	81,845.06
Other Assets	924,189.67
	$315,207,220.06

LIABILITIES

Capital	$ 6,000,000.00	
Surplus	12,000,000.00	
Guaranty Fund	2,620,000.00	
Undivided Profits	2,844,432.09	$ 23,464,432.09
Deposits		281,757,164.91
Deposits on Securities Loaned		5,200,000.00
Acceptances		81,845.06
Other Liabilities		4,703,778.00
		$315,207,220.06

United States Government Obligations and Other Securities carried at $17,920,939.68 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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equalled. Consumer spending, with its obvious influence on over-all business activity, has shown signs of picking up in recent weeks.

There are, of course, some uncertainties in the business outlook. Automobile sales have shown no clear indication of an upward trend. Residential construction is still far below its peak preformance of 1955. And there is evidence that the upward trend of plant and equipment expenditures is tapering off. But in spite of these cross-currents we believe a high level of business activity will prevail in 1957. Under the circumstances we expect 1957 to be an excellent year for life insurance with further substantial increases in insurance in force.

Like most segments of the economy, life insurance is feeling the effects of higher interest rates. This has proved to be a not unmixed blessing, as the attractiveness of the current rates on senior securities has caused a decline in the proceeds of policies left on deposit by beneficiaries. This somewhat reduces the amount of money generated by the companies for new investments. On the other hand, the opportunity to invest available funds at an increasingly attractive return has its effect upon life insurance company earnings. Should this trend, or even the present level continue, it should in time make a real contribution toward reducing the cost of life insurance to the public and encourage many families to increase their coverage.

P. J. NEFF

President, Missouri Pacific Railroad Company

The year 1956 has been a good one for the Missouri Pacific Lines for a number of reasons, not the least of which is the fact that early in the year the company emerged from its long period of trusteeship and operation of the property was returned to the owners.

P. J. Neff

Based on general conditions in the country there is nothing to indicate that the same good conditions which made 1956 a successful year for Missouri Pacific will not prevail during 1957. During the first 11 months of 1956 there were located on the Missouri Pacific 257 new industries with an estimated capital investment of $180,500,000 and 171 old industries expanded with an estimated capital investment of $253,952,000. The pattern of industrial expansion in the southwest appears to be a healthy one with every evidence of continuing throughout the new year.

But while the general industrial scene continues to be stable, the agricultural economy has been spotty. Many sections in normally heavy agricultural producing states in the area served by Missouri Pacific have been visited by droughts which have had an adverse effect on crop production. The wheat crop in Mo. Pac. territory was just about normal in 1956 but may be less in 1957 because of crop curtailment in planting under government control plans.

Notwithstanding strikes in the steel, chemical and aluminum industries, which had a depressing effect on freight carloadings, Mo. Pac. closed the year with about the same number of cars handled in 1955. From a revenue standpoint 1956 has been somewhat better than 1955. Total operating revenues are expected to reach about $306,000,000 as compared with just a shade over $300,000,000 in the preceding year.

Like all railroads, higher wages and material costs have added to Mo. Pac.'s operating expenses in 1956, but through efficiencies in operation due to Mo. Pac.'s $350,000,000 rehabilitation program since World War II, we expect to have a corporate surplus for the year after the mandatory capital and sinking fund appropriation of about $9,000,000.

Since the railroad emerged from trusteeship on March 1, 1956, there has been a reduction in funded debt (excluding equipment obligations) of almost $39½ million, resulting in a reduction in annual fixed charges of almost $1,700,000.

Savings resulting from the consolidation of Mo. Pac. and 23 subsidiaries when it emerged from bankruptcy will begin to show in 1957. We estimate these savings will exceed $1,000,000 a year.

From a physical standpoint Missouri Pacific is in excellent condition. Among the outstanding advancements, improvements and modernizations in 1956, are the following:

(a) The inauguration of Truck-Rail Service. Locally in its own and Texas-Pacific territory Mo. Pac. provides shippers with demountable trailer service. Under this method of operation only the truck body or container is shipped in a gondola or other type of flat bottom car. Mo. Pac. will soon have available 200 containers and 100 chassis. For inter-line traffic between the North-East and Southwest through the St. Louis gateway Mo. Pac. engages in the conventional "piggy-back" style of operation by handling trailers on flat cars.

(b) Construction of approximately 10 miles of new railroad in Arkansas to transport wood chips from western Arkansas and eastern Oklahoma, to a new paper plant at Pine Bluff. Mo. Pac.'s 10-mile extension from Nashville, Ark. will connect with a similar extension being built by the DeQueen & Eastern Railroad.

(c) Installation of 39 miles of centralized traffic control between Holland and Bald Knob, Ark. This places Mo. Pac.-Texas Pacific operations under C. T. C. control between St. Louis and Forth Worth, Texas.

(d) Construction of 1950 new box cars 50-ton capacity and 50 new flat cars of 70-ton capacity at Mo. Pac.'s car building plants.

(e) Laying of 29 miles of 132-lb. and 115 miles of 115-lb. rail—total, 144 miles of new rail.

(f) Extension of sidings at approximately 30 points to 125 and 150 par capacity to accommodate longer trains resulting from complete dieselization of railroad.

(g) Continuation of Mo. Pac.'s program of equipping all locomotives and cabooses with train radio communication, expansion of radio base stations, installation of LCL car checking system at freight houses Walkie-Talkies, etc.

Major Missouri Pacific improvements planned for 1957 are a continuance of its program of laying 130 miles of heavier rail; adding to its freight car fleet through the building of 2,000 more cars in its DeSoto, Mo. plant, and purchasing from commercial car builders 100 air slide cars. Cost of new rail and new cars: $21,000,000.

Another large item on the 1957 program is the starting construction of a new electronically-equipped hump classification yard at Kansas City, Mo., capable of handling 3,000 cars during each 24-hour period. When finished in the next three years, at a cost of approximately $11,500,000, car handling will be reduced 50%.

In our opinion the big problem faced by Missouri Pacific and all other railroads today is how to maintain a proper balance between continually rising costs of wages, materials, supplies and taxes, and slow rising revenues.

Management of any industry must always be alert to the need for economies through more efficient operation, and this subject has the constant attention of railroad officers, but fair minded students of transportation readily admit that a large and important share of the railroad problem is beyond the immediate solution of railroad managers.

We are referring to the need of selling the public, in their own interest, on modernizing the national transportation policy. The "horse-and-buggy days" shackles imposed on railroads when they enjoyed a virtual transportation monopoly must be removed by the Congress so that railroads can price their product to immediately meet changing economic conditions.

Given freedom to compete with other forms of transportation, the rail industry will be able to render the public a better service at lower costs.

CHARLES F. NOYES

Chairman of the Board, Charles F. Noyes Co., Inc.

It is with pride that I and the Noyes organization are able to realize that our overwhelming faith in Lower New York real estate and particularly the Financial District has been justified. For years we have been among those who saw this ultimate future and value. The year 1956 was one of great accomplishment and 1957 will see the culmination of our predictions.

Charles F. Noyes

The Chase Manhattan Bank development and the erection of a 1,200,000 sq. ft. building on the present Produce Exchange site will be the two important office building developments of the year. The Chase Manhattan development has been widely publicized. The building on the Produce Exchange site will cover a plot in excess of 73,000 sq. ft. with its main entrance at 2 Broadway and also an imposing entrance at 76 Broad Street to serve the Financial District. This building will offer individual floors of 60,000 sq. ft. each and sub-divisions down to 15,000 sq. ft. It is extremely doubtful if any other location south of Wall between Broadway and Pearl Street of this size can ever again be assembled for office building construction. This building will be managed by the Noyes Organization. It will appeal to large organizations who have developed rapidly during the last five or 10 years. Some of these organizations occupied 10 to 15 years ago say two floors of 10,000 sq. ft. each or 20,000 sq. ft. and today have expanded and now occupy 60,000 sq. ft on various floors and often in outside buildings. Here in this building such a tenant can place the entire organization on one floor and even allow for expansion.

I predict that all the space in the larger floor buildings to be produced downtown will rent promptly. A number of downtown tenants who were compelled to move a part of their organization, and in a few cases all of their organization, uptown did so only because buildings of modern design, approved floor layouts and particularly with the modern electronically controlled elevators and real effective air-conditioning could not be obtained downtown. Some of these tenants will return.

Another most important downtown situation for 1957 will be the new housing development on the site bounded by the East River, Whitehall Street, Water Street and Coenties Slip, a plot of five acres now largely improved with very mediocre buildings. Proposals have been received by the City in connection with this development which will probably be along the lines of practically all other housing propositions where approximately 20% of the ground is allocated to the buildings and about 80% of the ground is beautifully landscaped with the result that tenants will have perfect exposures and in this case this will be featured because the views from the property will be unsurpassed. The site is superb for the development to be undertaken and there is no question but that the demand by the middle income group for apartments will be very great. Broad Street is at the center of the four blocks that will be covered.

Here, in capsule form, is a description of the important projects scheduled for 1957 in downtown Manhattan, the "Heart of the Financial World."

First: The Chase Manhattan Bank development of the world's greatest building and the creation of a planned banking center that is unequalled, with an investment of close to $125,000,000 and a nearby additional investment of probably the same amount involving new construction and improvements.

Second: An office building of enlarged proportions (probably 1,200,000 sq. ft. of rentable area) to be erected on the wonderful Produce Exchange site with an entrance at 2 Broadway and also at 76 Broad Street to serve the Financial District. The Noyes organization are agents for this building and have a waiting list for space in the building, which will be able to offer individual office floors of 60,000 sq. ft. and tower units of 15,000 sq. ft. No such floors have ever been offered before in the Downtown Financial District and particularly in a building offering superior service, with electronic elevators, air-conditioning and a wonderful exposure with uninterrupted views of the harbor, the bay and the ocean.

Third: The Battery Park Redevelopment. Briefly, five acres in size facing the bay and harbor, a garden apartment with parking and many other conveniences and improvements for those downtown tenants in the middle income bracket who desire to be near their business. The location is superb with Broad Street right in the center of the plot.

Fourth: The almost unbelievable but correct statement that 1957 is the year when the Downtown District will actually commence a building program to develop 6,000,000 sq. ft. of superior office space, with electronic elevators and air-conditioning, which equals seven times as much as all of the new space produced downtown during the preceding 10 years.

DONALD W. NYROP

President, Northwest Orient Airlines, Inc.

Northwest Orient Airlines and the civil air transport industry find the prospects for 1957 encouraging, not only because the general business outlook is promising but because travelers are taking to the air in ever growing numbers.

Donald W. Nyro

Domestic airline passenger traffic in 1956 increased 2.7 billion revenue passenger miles over 1955, while surface travel declined only 871 million revenue passenger miles. Thus a vast proportion of the airline increase — nearly 2 billion revenue passenger miles — constituted new travel.

This travel growth and growing public reliance on air travel is one of several factors favorable to 1957, in our company and our industry. The national economy continues at prosperity level, earnings are high, and there is an attitude of confidence conducive to spending rather than retrenchment.

It is estimated that the gross 1956 product of the United States will total $412 billion, compared with the $391 billion in 1955. Some 65.5 million persons are employed, compared with 64 million a year ago.

As the nation advances, the air transport industry is keeping in step. Scheduled airlines of the United States during 1956 carried more than 47,000,000 passengers, an increase of 12.3% over the 41,663,000 carried in 1955. Passenger revenues were about $1,537,000,000, an increase of 12.7% over the previous year's total of $1,363,578,000. Revenue passenger miles flown reached the astronomical total of 27,760,992,000—up 14.1% from the previous year's 24,339,695,000.

Increases should continue during 1957, bringing new all-time records.

On its part, Northwest Orient Airlines expects a gain of about 15% in its own business over the records set in 1956. These totals included an all-time high in passengers carried—1,430,000 compared with 1,343,000 in 1955: and in operating revenues, $76,988,000, an increase of $5,740,000 over the previous year.

During 1957 we will add to our fleet eight new Douglas DC-7C and seven new Douglas DC-6B aircraft, which will substantially increase our available seat miles. Nine additional aircraft will be added in early 1958.

Altogether, 1957 promises to be another year of great progress for this dynamic industry.

Continued on page 10

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Securities Salesman's Corner

By JOHN DUTTON

20 Objections and Evasions Heard By Mutual Fund Salesmen

(CONCLUDED)

Last week we listed 10 of 20 objections heard by Mutual Fund salesmen and suggested some answers of our own. The list of objections was compiled by Modern Security Services, edited by Ferd Nauheim and published by Kalb, Voorhis and Co., members of the New York Stock Exchnnge. MSS is a very complete service offered to securities dealers interested in merchandising Mutual Funds and it offers worthwhile advertising and sales suggestions in this field. Here are the final 10 of the MSS objections with some of our suggested answers. Possibly you can come up with some better answers of your own.

(11) I'm putting all my money in a life insurance endowment.

"Certainly, this shows that you are well aware, Mr. Prospect, that you hope some day to be independent financially; at least as much so as possible along with today's high taxes and constantly increasing costs of living. But I'm wondering if you have thoroughly taken care of the problem. Ten years ago you were putting 100 cent dollars into this endowment of yours. Today if you were to take out these dollars they would only be worth 50 cents in purchasing power. I'm sure you are well aware of this. Isn't it possible that using only this endowment insurance plan that you might continue to save and save and 10 or 15 years from now today's dollars may continue to shink so that you will have a problem still unsolved when you are ready to retire?" (Build up the danger of a one policy investment plan based solely on dollar assets.) Then suggest Mutual Funds along with Endowment plan.

(12) No sir, not for me, I remember what the 1929 crash did to my father.

This prospect needs education. I doubt if any pat answer will bring him around quickly. I would suggest that today our financial markets are regulated by Federal statute and that the Mutual Funds are hedged in by every conceivable safeguard. I would mention, trusteeship of assets, supervision by experienced investment managers, broad diversification of assets, and that billions of dollars are now invested in Mutual Funds by over a million individual investors, and countless institutions. You have to build confidence here and it very likely cannot be done quickly but only after several interviews and some time. A small investment to get started is sometimes indicated and then later on after the client has gained confidence he may take the initiative and invest larger sums—especially if he obtains better income.

(13) I don't know anything about the stock market and I leave that kind of thing to the people who do.

Here again, the prospect is under an incorrect impression. Also, he has not been made conscious of the shortcomings of his present position (providing he has only a savings account and insurance). First, show him how inadequate a 3% return is today because of shrinking dollars and high taxes. No one with an average income can retire on such interest rates even when compounded semi-annually. You can't save enough. In order to save for the retirement years assets must be invested in a cross section of the country's growing business institutions. That is what Mutual Funds provide, an interest in a group of securities which represent some of the most outstanding business organizations in the country. Take it from there, but only after you have built up NEED—then sell BENEFITS. Mutual Funds are not a stock but a method of investing.

(14) What for? I'm getting along all right without taking chances with my money and when I retire I'll have my social security.

"Mr. Prospect, I am sure you don't want to take chances with your money but I'm wondering whether or not you have thought about this aspect of your situation. In 1939 if you had an income of $5,000 a year it would now require $11,000 a year to live as well as you lived then. High taxes and inflation have done this to our dollar. At 2% compounded annually it would probably take quite a while for you to save $220,000 but that is the amount you would need in order to provide an income of $11,000 a year invested at 5%. Possibly you can do this but it is quite an order. Dollars are shrinking and social security is only a stop gap at best athough it has its benefits to a limited degree. Then there is the constant spectre of ever increasing living costs. Isn't it possible that the plan many other far-sighted individuals are now using to save toward their retirement goal is worth investigating? Let us see what a better way can do if we only give it a chance." Then explain the idea behind Mutual Funds.

(15) Mutual Funds are for the little fellows.

"I am not surprised that you brought this up but here is a place where the Mutual Funds are today doing an outstanding job. The larger investors such as insurance companies, many hospitals, universities, trust funds, and hundreds of very wealthy individuals have invested in Mutual Funds. The convenience, the superior management facilities offered, and the outstanding records of investment accomplishment all attest to the ever increasing regard which these large investors hold for Mutual Funds. Here is a list, etc."

(16) Mutual Funds are for people of wealth.

"Many wealthy people have found that Mutual Funds are a superior form of investment but on the other hand there are advantages for the investor of modest means in Mutual Fund investing that cannot be duplicated in any other form of investment. That is why there are billions of dollars invested in Mutual Funds today by millions of individual investors. Enumerate advantages.)

(17) Yes. I could put aside $25 a month but I think we are going to have a depression.

"I sincerely hope not Mr. Prospect, but certainly the money you save now will come in handy at some future date whether we have a depression or not." Enumerate needs, show benefits. No penalty if a systematic savings plan is temporarily halted.

(18) I'd rather plough back my surplus income into my own business.

"This is certainly a worthwhile idea Mr. Prospect and if it is vital to the success of your business that you invest all your surplus in your own business by all means do it. However, possibly you might wish to set up a well managed investment fund such as this and make it a part of the growing assets of your business." Stress loan values, also the factor of diversification that lies behind such an investment. Explore this thoroughly, ask questions. The objection sounds like an excuse rather than a serious statement of fact. This prospect does not see the need yet nor does he understand benefits. An exploration of his plans for the future, for retirement estate building, would be my path here.

(19) I'm not interested.

This is an old one—it means I'm too preoccupied with other things and I want to get rid of you. I'd try to make an appointment for another time to discuss estate building and creating more capital, or income for now or later. I wouldn't try to sell Mutual Funds until I had this man conscious of his "needs."

(20) Maybe in six months.

Does not understand his "needs." This is an excuse. Try for an appointment to discuss more income, more capital, a sound investment program. People buy benefits—this man must be made conscious of his opportunity for bettering himself. Unless you can do that there is no use to come back in six months, or ever.

* * *

Every man has the problem of providing for his family now, and for himself and his wife (if living) in later life. Every person of retirement age needs income. Every person needs more income now or later. Sell these things and your objections will become reasons for buying. Sell convenience, sound planning, diversification, the growing might of industrial America, and a plan for systematic accumulation of an interest in these great corporations. Let competent management do the job of managing the investment. That's the Mutual Fund story in a nutshell.

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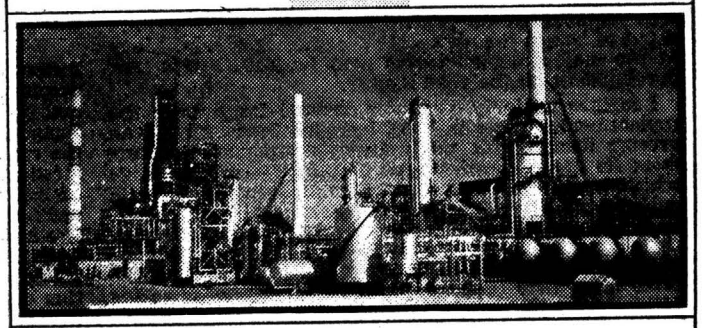

TIDEWATER OIL COMPANY

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Federal Reserve Bank of St. Louis

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ROBERT L. OARE

Chairman of the Board, Associates Investment Company

Prospects for clear economic sailing for the nation during at least the first six months of 1957 can be foreseen by observing the continuing rise in gross national product and consumer disposable income during the last quarter of 1956. With more and more products and services becoming available to the American consumer and personal income growing consistently, the sale of durable and nondurable goods should reach record heights in 1957 with employment remaining high and steady.

Robert L. Oare

During 1956, the automobile industry experienced a gradual downturn from the tempo set the previous year when new passenger car production rose to an all-time record of approximately 8 million units, of which about 7.2 million appeared as domestic registrations. New car registrations in 1956 are estimated at 6.2 million and all signs point to new car registrations slightly exceeding this figure during the coming year, which would result in 1957 being second only to 1955's record figure.

The general acceptance of 1957 models by the public indicates a probable rise in automobile installment credit volume for at least the first six months of this year. As business increases, there can be no question as to the intentions of sales finance companies to maintain their credit extension policies on a sound basis.

In an effort to contain recent inflationary tendencies in the national economy, the Federal Reserve Board has placed a restraint on the expansion of credit which in turn has raised the cost of money to its highest level in the past 25 years. These high money rates further emphasize the importance of grantors of credit to be more selective in their extension of credit.

Prospects for the easing of the current money situation in the near future are not in sight. However, the relative scarcity of loanable money should not materially hamper financial institutions in providing necessary credit to finance the real needs of the nation's consumers.

The Associates organization looks forward to an expansion of services in 1957 and faces the future confident of maintaining its position as one of the nation's three largest independent automobile finance companies.

WILLIAM O'NEIL

President, The General Tire & Rubber Company

As one of the nation's fundamental industries, the Rubber Industry, for 1957 and for many years to come is confronted with a growing product demand that will challenge the industry's capacity to meet it. 1957 is the beginning of a new growth era in rubber resulting from the industry's tremendous research and development efforts. The new things that come as the result of research and development will create a tremendous demand for our production facilities. During the past two decades the per capita consumption of rubber in this country, has risen from five pounds to 20.7 pounds . . . and this is only the beginning.

William O'Neil

The rubber air springs for automobiles and trucks, in which General Tire has pioneered research and development, is one of the new products that will create an entirely new demand on the industry's facilities. Many of the nation's trucking companies have discovered the economic value of the air spring. The cushioned ride not only greatly reduces the wear and tear to their equipment, but the reduction of damage to freight they haul is substantial.

Now after years of research and development, the design engineers of the leading automotive companies are about to accept the air spring for passenger cars. Many of the major manufacturers plan to feature this new development on their '58 models.

I foresee not only a greater demand for tires in the replacement market in 1957, but also forecast an even greater demand for the industry's products resulting from its great knowledge of chemistry — a knowledge which has given the industry prominence in synthetic rubbers, plastic resins, plastic materials and basic chemicals. The American public wants new things, and almost daily our research is discovering new ways to make upholstery materials more attractive and longer-wearing, discovering new products for personal, home or entertainment use that are better than anything we have ever had before.

The encouraging outlook for the fundamental industries, such as rubber, steel, food and oil, is the indicator pointing to another progressive year in the nation's economy. Our steel industry for instance, faces a tremendous task meeting its demand this year. The industry not only is confronted with hugh demands from its automotive customers, but the $51 billion highway program adopted by Congress last year will greatly increase the demand on this important industry for many years in the future.

For General Tire, 1957 should be one of the finest years in the company's 42-year history.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit

Banking, as a business, is at the moment undergoing one of the wide swings of its pendulum. Interest rates continued to rise during 1956 and are still heading in the same direction. Bank mergers are continuing at an accelerated pace. The enormous debt of our country, which in itself is inflationary, is being used as an economic lever to prevent inflation. It is the writer's opinion that the management of our debt is probably the most powerful device that our money managers possess, and they are making full use of it . . . and thus far with good results.

H. P. Parshall

Recently, the Board of Governors of the Federal Reserve System amended Regulation Q of the Federal Reserve Act, permitting banks to pay a maximum rate of interest on time deposits of 3%. This was quite a controversial move, many bankers believing (as does the writer) that this change should not have been made. Many bankers construed this as an invitation to raise their rate of interest on time deposits to 3%. This move will not only be a deterrent to bank earnings during the year of 1957, but will also mean that banks paying this rate will either make longer commitments in the way of bond investments than they would otherwise make, or make loans bearing higher rates which would naturally contain more risk. In other words, it is generally the same with bank assets as it is with speed: the greater the speed—the greater the risk; the higher the interest rate—also—the greater the risk. That is, a high interest bearing asset does not usually possess the intrinsic value of an asset that bears a lower yield.

Banks have not made the gains in deposits during 1956 that one might expect in such a prosperous year, for two reasons: the competition of mutual savings banks and savings and loan associations for time money, and the competition of a high return on short-term government obligations, 90 days and less, for demand money.

Most economists are predicting, and I believe with good reason, another banner year for 1957, although there is noted some retarding influences. There are, at the present time, no existing shortages. Everything is in good supply, save perhaps some kinds of steel, and inventories are again showing an inclination to climb. Residental building was down somewhat in 1956, and I believe will be down again in 1957. The automobile industry should sell more cars in 1957 than in 1956, and this will be helpful to our local area. Defense spending by our government will again show an increase.

Taking everything into consideration, we can look forward to 1957 with confidence, being fully aware of the retarding influences above mentioned.

HON. WRIGHT PATMAN

U. S. Congressman from Texas

Legislative developments in the 85th Congress will generally reflect what is happening in domestic and international affairs. Taking tne latter first, it would appear that in the light of recent developments in the Middle East and Central Europe the Congress is going to take a close look at our military establishment and at the foreign aid programs. On balance it seems to me that Government expenditures for 1957 may be expected to rise, reflecting a higher level of defense spending primarily. Congress is going to give sympathetic consideration to the President's Middle East proposal but will be inclined to weigh all the consequences and costs very carefully before granting him the authority he has requested.

Hon. Wright Patman

Nineteen fifty-six was a pretty good year as far as our foreign trade was concerned. The large increase in our exports was a significant factor accounting for the generally high level of business despite sags in such areas as homebuilding, automobiles and appliance sales. In part, this rise in exports was financed by an increase in our imports and in part by the export of U. S. capital abroad. However, some domestic businesses did not share in the general prosperity of 1956. And they are inclined to be critical of the increased competition from abroad both in terms of the rise in imports and the export of U. S. credit and capital when both are relatively tight here at home. This will influence the vote of some Congressmen on the legislation authorizing U. S. participation in the O. T. C. when it is sent up for approval.

The impact of tight credit conditions, namely, its uneven effects and its tendency to promote the concentration of economic power in the hands of a few, will strongly influence every major piece of legislation that comes before the 85th Congress. On the basis of evidence I have had presented to me in my capacity as Chairman of the Sub-Committee on Economic Stabilization of the Joint Economic Committee and as Chairman of the House Small Business Committee, I am convinced that the present machinery for allocating credit in times when restraint must be imposed to combat inflation is highly inequitable and irrational. While we are all dedicated to the private enterprise system, I do not think that we can continue to sit by and accept as sacrosanct, market decisions in the allocation of scarce resources which disregard urgent social needs and are impervious to the plight of small business. We are going to have to devise more adequate machinery to see that schools, homes, roads, hospitals and smaller firms are not bypassed in the scramble for a limited amount of credit.

In my estimation, the farm issue is also intimately tied into the tight credit situation. In large part, the problem of low income in farming is due to inadequate resources. Credit and its cost have come to play a greater and greater role in modern day agriculture. In addition, there is the fact that the extra sensitivity of farm product prices relative to industrial prices has made farm prices more susceptible to the deflationary pressure of tight money than other prices. One need only compare the trend in farm prices, industrial prices and the supply and cost of money from February, 1951 on, to see that farm prices have borne the full brunt of the deflationary force.

Up to now, only the largest corporations have escaped the disciplinary effects of tight money. The runaway capital spending boom, which they have sparked, has, in fact, been the principal cause of tne inflationary pressure experienced in 1956. This boom has been due to the lopsided tax policies of the past four years. Repeal of the excess profits tax, the enactment of the 1954 Revenue Code and administration of the accelerated amortization provisions of the Defense Production Act have in combination operated to channel a tremendous flow of after-tax earnings to the largest and most profitable corporations and thus enabled them to finance the record capital expansion boom of the past two years virtually unimpeded by credit restraints. It has produced a dangerous increase in the concentration of productive capacity. How taxation can promote a more balanced pattern of economic growth will be an important legislative issue before the 85th Congress. Some adjustment to more nearly equalize the competitive situation facing small firms is essential.

ALFRED E. PERLMAN

President, New York Central Railroad

The past year has been one of almost revolutionary change for the New York Central. In 1956 we stepped up the tempos of both the physical rebuilding and personnel strengthening of the Central. We began the year by completely decentralizing our management into four geographical districts, each under a general manager fully responsible for operating results in his district. As the year ended, we had virtually completed the first truly modern yard to be built on the Central in 30 years—our new electronic yard at Buffalo, and announced new yards for Elkhart and Youngstown. We put in centralized traffic control between Buffalo and Cleveland, providing the longest double-track installation in the United States of this modern method of speeding up train movements. A system-wide car reporting service to speed freight operations and locate cars for shippers within seconds and linking 71 yards by automatic teletype began operation this year.

Alfred Perlman

So that rapidly widening horizons of science can be translated more quickly into economical and modern transportation methods and equipment, the Central in 1956 went into the field of broad, basic reseach as a supplement to its already extensive program of applied research. Our new basic research laboratory will use techniques such as radioactive isotopes and atomically-activated engine parts.

Realizing that the most modern techniques of science would have to be scrapped in 15 years if the railroad did not have the people to use them properly, the Central in 1956 stepped up its extensive program of training its people for the future. More than 150 of the Central's top management people in 1956 went to schools and seminars of the American Management Association in our continuing program with the organization, and additional personnel development techniques were installed, including the group appraisal process.

The Central in 1956 put into regular service the Xplorer, and test ran the Aerotrain, two new lightweight, low center of gravity passenger trains. We are now studying the results of intensive cost studies and public opinion surveys to help decide the comparable merits of conventional and lightweight equipment.

Net income for 1956, although below that of 1955, will be the second highest for a peacetime year in the Central's history. The reduced net stems directly from these facts: (1) that freight rate increases granted in the spring of 1956 failed by $18 million to offset increased wages negotiated by the industry in the fall of 1955; (2) that our wage bill was increased by more than $30 million a year by new pay increases negotiated this fall, and for which we did not get relief in the form of emergency freight increases until the year end, and (3) from increased prices on material. The steel strike and the lower production of the automobile industry—our largest manufacturing customer—were other factors having an adverse effect upon earnings.

The passenger service deficit continues to cloud the future. This situation is especially critical for a railroad like the Central, since more than half of our train miles are in passenger service. Therefore, we, with a number of other Eastern railroads, are attempting to obtain passenger fares which reflect our costs. We cannot be

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expected to continue to make up losses on passenger trains through higher freight rates and, at the same time, compete for freight service with either other railroads having relatively small passenger operations or with subsidized forms of transportation that have no passenger deficits to make up.

Our problems on the Central pretty much reflect those of the industry: Low rate of return, the severe competition from subsidized carriers and from unregulated private carriers, the continuing massive passenger deficit, an out-dated freight rate structure, and the stifling effects of the freight car shortage, which stems directly from the low rate of return. Finally, there are the handicaps of the World War II—enacted excise tax on transportation, which is still in effect, and the generally crushing taxes paid by the railroads, especially on passenger station facilities.

Despite these factors, we feel sure that 1957 should show improvement for both the Central and the industry generally. The ICC has acted speedily to grant some of the badly needed increases in freight and passenger rates, and how well we do in 1957 depends to a large extent on their actions with respect to pending applications. Moreover, we believe that Congress will give relief from the "wartime" transport excise tax. In addition, we sense a growing feeling among the public and their servants in government that the rails need tax relief and a modernization of regulation in order to successfully compete in today's transportation market.

With such actions taken by the government, we know that the many far-reaching and expensive improvements being made on the Central will result in greater efficiency and improved service which should be reflected in our financial picture.

HOWARD C. PETERSEN

President, Fidelity-Philadelphia Trust Company, Philadelphia, Pa.

The outlook for business in general is favorable. Government spending is expected to increase at all levels, Federal, state and local. Business demand for plant and equipment appears likely at least to hold at last year's high levels. The remaining group of buyers, individual consumers, is the only one for which the indications are less positive. The average American today enjoys a position unique in economic history: the large majority of our people have incomes well in excess of the amount necessary for routine living; many have large reserves; buying on credit is widely accepted and generally easy. This means simply that Americans have extraordinarily wide latitude in spending or saving. Furthermore, a considerable portion of current buying arises from desire for the latest style and not from real need. This type of spending is, therefore, readily deferrable. We know that people have been in a buying mood for some time and that there is no present indication of any real change in their attitude. However, such changes have occurred, often with little warning, in the past. These changes in sentiment do not necessarily arise from movements of conventional business cycles but are, instead, psychological in nature. Behavior of this important spending group is, therefore, difficult of prediction.

Howard C. Petersen

For the banking industry I look for continued strong loan demand and for general maintenance of current interest rate levels. Demand for all types of loans was insistent through 1956. Because this unprecedented demand taxed the resources of the financial community, interest rates continued to rise. Inherent in periods of persistent and pronounced growth like the present is the threat of inflation. Restraint on the part of all segments of the economy is required if this danger is to be controlled. No group has been more aware of this problem than the nation's monetary authorities. Acting forthrightly, often in the face of criticism, they have succeeded in holding in check inflationary pressures of no mean proportions. Certainly the banking industry will continue ever mindful of its responsibility in this matter.

Of vital interest to both the banking industry and its customers is the recently enacted Federal legislation pertaining to bank holding companies. This legislation, known as the Spence-Robertson Act, provides in essence that the Federal Reserve Board may approve, subject to many qualifications, the creation of bank holding companies which could operate on a statewide (and technically even on a multi-state) basis. In many areas, state regulations restrict the activities of an individual bank to a prescribed district or county. Often this compartment coincides with the city limits. In these cases, banks within the city have been unable or only partially able to move with their customers into the fast-growing suburbs.

No postwar development has had a more profound effect on business in general and on banking in particular than this mass migration to the suburbs, so strikingly evident throughout our nation. This unprecedented population shift means simply that no service business, such as banking, can long afford to be absent from the suburban centers — not only to share in the growth, but also to protect its city position which otherwise will in time be affected by competition from the suburbs. District or county lines have little, if any, meaning for this great, continuing movement of people, commerce, and industry. The new legislation is already the subject of considerable discussion. In my judgment, the creation of conditions which give best promise of ample and increasing banking services in our rapidly-growing suburbs would be in the best interests of both the banking industry and its customers.

WILLIAM A. PATTERSON

President, United Air Lines

The outlook for air transportation in 1957 continues favorable. Industry gains of up to 12% in domestic revenue passenger miles are forecast by our economists. Last year's increase, by comparison, is estimated at 13%.

W. A. Patterson

In United's operations, we expect gains of 8 to 12% in revenue passenger miles and from 5 to 10% in freight ton miles. We look for a less sizable expansion in mail, while express is likely to remain near 1956 levels.

These forecasts may give the impression there is small cause for concern on any point. The airlines, it would seem, have merely to settle back and enjoy their respective shares of a general industry expansion.

Actually, the attempts of various companies to expand volumes will meet stiffened opposition. Each dollar of passenger and cargo revenue will be subject to increasing competition because of enlarged capacities and market subdivision. Decisions of the Civil Aeronautics Board, authorizing duplicate services at many major cities, will begin to pinch in earnest.

Available seat miles and cargo ton miles will reach record totals in 1957. More than 200 new aircraft will be delivered to the scheduled airlines, most of them four-engine models, seating upwards of 50 passengers. Their addition to company fleets, including 7 DC-6Bs and 20 DC-7s for United, will make it more difficult to achieve satisfactory load factors.

Economists agree that the upward price trend will continue, placing a further burden on the airlines in view of their bargain fares. United, for example, has held fares to 1940 levels while absorbing a series of wage increases and consistently higher costs of doing business. The need for an industry-wide readjustment will grow more urgent in coming months.

Plans to inaugurate jet service in 1959 will move ahead appreciably this year. The airframe manufacturers are up to date with production timetables. Modernizing of the airways will go forward rapidly, following mid-year delivery of the first of 23 long-range radars, recently ordered by the Civil Aeronautics Administration. These will cover major terminals and the most frequently flown airways. Subsequent installations will complete a nationwide radar network.

Summing up, 1957 appears to be a good year for the industry and certainly a good year for air travelers, taking advantage of a decided customer's market. As indicated, however, individual companies will find it a year of challenge, calling for greater efforts to achieve higher volumes and hold off the inroads of competitors.

WARREN LEE PIERSON

Chairman of the Board, Trans World Airlines, Inc.

Record breaking passenger volumes coupled with great technological advances highlighted 1956 for Trans World Airlines, and one word can, perhaps, sum up TWA's activities during the year now ended. That word is growth. Certainly it would describe, too, the activities of the airline industry as a whole, as growing passenger volumes and cargo volumes indicate air transport is the best bargain open to both the traveling public and U. S. industry.

Warren Lee Pierson

For 1957, TWA foresees an even greater year of passenger volume with the introduction of its new, long-range Lockheed 1649A. With this huge aircraft, 25 of which have been ordered, TWA will have an unsurpassed luxury airliner capable of flying 6,400 miles non-stop at speeds of more than 300 miles per hour.

The 1649A will be the ultimate in piston-engine craft. TWA will begin operating its new jet fleet in 1959. In line with its aggressive, forward-looking leadership, the TWA Board of Directors late in 1956 elected the dynamic young Carter L. Burgess, former Assistant Secretary of Defense, as President of TWA. Although he will be the youngest airline president, he brings to TWA many years of solid accomplishment, both in government and private industry.

Also in 1956, to keep pace with the ever-growing passenger volume, TWA inaugurated a new Passenger Service Department. Under the leadership of John H. Clemson, the new TWA department is responsible for every service to the airline passenger from first phone call to final destination.

Inexpensive, mass air travel was advanced by two more steps taken by TWA during the past year. First, TWA's proposal for reduced tourist fares across the Atlantic was accepted by IATA. This plan slashed $97 off the regular Sky Tourist fare on trans-ocean flights. The 15-day discount fare plan opened up a vast new market to the airlines in that it had direct appeal to the millions of Americans who enjoy two-week vacations each year.

Secondly, in conjunction with American-Export Lines, TWA began a unique new travel service called Sea Air Cruises. These travel packages of two, three and five weeks combine the leisure of a ship crossing, sightseeing in Europe and fast flights back to the U. S. aboard TWA Constellations.

TWA was above the industry average in domestic passenger miles, showing an increase of 17.1% over 1955 and a 11.5% rise in international passenger miles.

Among the many other things of note accomplished during the past year was the opening of five radically new engine test cells at TWA's $25 million overhaul base in Platte County Mo. These cells used, for the

Continued on page 102

Facilities doubled to meet new growth

To meet increasing demands for electric power — and anticipating the buoyant effect of the completion of the St. Lawrence seaway — this 10-year program was launched in 1954 to expand generation, transmission and distribution facilities.

Recently, plans were announced for construction of a fifth generating unit at Oak Creek where three units are now in operation. A fourth unit to be completed late this year will bring the total capability of the Oak Creek plant to 500,000 kilowatts. The new fifth unit will have a capacity of 250,000 kilowatts — more than double the capacity of any of the units now in operation. The 10-year expansion program also includes plans for a second 250,000 kilowatt unit at Oak Creek. Ultimately, four such units are contemplated to provide a total capacity of a million and a half kilowatts at the Oak Creek plant.

WISCONSIN ELECTRIC POWER COMPANY SYSTEM

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first time in U. S. aviation history, dynamometers to test engines; eliminated the wooden propeller.

A CAB examiner recommended that TWA be given the "Polar Route" from the West Coast over the North Pole to Europe. Denver, Tulsa, Oklahoma City and Tucson were added to TWA's flight schedule, and a vast new electronic reservations net work called the Magnetronic Reservisor was ordered.

Nineteen hundred and fifty-six was also the year that TWA began preparation for the coming Jet Age in commercial air transport with the preliminary orders of 30 Convair 880's and eight Boeing 707's. TWA also lent some of its top engineering and flight personnel to help the industry solve the problems of the coming jet era before they arrive.

All in all, 1956 was a year in which TWA, in fact the entire industry, was preparing for the far greater passenger volume which the past few years presage.

And certainly, mass air travel, shuttling millions of people between continents, between cultures and societies, can easily be one of the major factors in creating a peaceful world.

T. S. PETERSEN

President, Standard Oil Company of California

Present indications point to another record year for Western business and industry in 1957, approximating the normal long-run trend for this area. National and international developments, of course, will continue to determine the extent of our progress.

T. S. Petersen

Both nationally and in the West, we look forward next year to substantial gain in consumer spending, supported by high employment at rising wages. Government spending at all levels will likewise increase under the impact of defense needs, public works programs, and the general educational and other requirements of a growing population.

Competition is likely to stiffen, with supplies of various commodities becoming more abundant as a result of recent expansion programs. Because of rising costs and active demand, however, stimulated in part by the foreign crisis, prices will generally be firm to higher. Sales by the petroleum industry next year are anticipated to increase about 4% over 1956, even though large quantities of natural gas will be available for the first time in the Pacific Northwest. Another record year is seen for motor gasoline sales along with the continued rapid expansion in demands for aviation turbine fuels.

To meet these increased demands, the industry must step up its supply of raw material and products. Although California crude will continue to supply the largest portion of the industry's needs, it will fall short of the total requirements with the result that additional foreign crude imports will be necessary. Capital outlays for domestic exploration, production, and refinery expansion programs are expected to continue at substantial levels during 1957 as the result of the industry's effort to adequately provide for the petroleum needs of the West.

ABE PLOUGH

President, Plough, Inc.

After reviewing the current trends, one has reason to believe that the outlook for the drug industry in 1957 is very favorable.

The industry as a whole possesses strong growth characteristics because of the expanding population, and because of the progress being made in research laboratories in finding more effective means of coping with the problems of man's physical well being. Expanding population increases the number of potential customers and the progress made in laboratories extends the normal life span of these people. These basic factors have a very favorable effect on the future outlook of the drug industry.

Abe Plough

It is our feeling that the drug industry as a whole is not as sensitive to general economic conditions as are certain other industries since people are inclined to continue purchasing "health" products, even though their economic situation may make it necessary for them to discontinue acquiring products that are not as essential or require larger expenditures.

It is our belief that the earnings of drug manufacturers should keep pace with increasing sales because the drug industry can keep its costs in balance within reasonable limits. Both capital requirements and labor costs (as a percentage of sales) are lower than in many other industries. Advertising and selling costs will tend to increase in 1957; however, these expenses can, within certain limits, be controlled by management.

In general, most of the companies within the industry have completed modern plants in the postwar period. Since these plants were built not only to meet the immediate needs but also took into consideration probable future sales increases, the added volume may be handled without a proportionate increase in overhead. In addition, it is not probable that debt financing for plant expansion will have to be incurred to any major extent during the immediate future, a factor of some significance considering present conditions in the money market.

Competition in the industry has always been vigorous but one has no reason to feel that 1957 should introduce any significant changes in profit margins, since most companies have the protection of product diversification and relatively few are dependent on one product line.

During 1957 a sales increase for the industry on the order of 5% to 15%, with corresponding increases in profits, appears to be a reasonable estimate. Since most of the companies in the drug industry are comfortably financed, one might expect a number of dividend increases as a result of the favorable trend of sales and earnings which we now visualize.

W. B. POLLARD

President, National Bank of Commerce, Memphis, Tennessee

We begin 1957 amid unsettled world conditions. We can only assume at this time that world political conditions in 1957 will be about the same as 1956, and draw our conclusions as to business prospects for 1957 on this basis. The Memphis area should continue to expand. The City of Memphis is building a large electric plant to provide for present and expanded requirements for cheap electricity. This, in addition to good transportation and distribution facilities, should be attractive to industry.

W. B. Pollard

Even though interest rates are higher than for many years, much public building such as schools, highways and public facilities will be required. Commercial building for expansion of plant facilities will continue, but total commercial building may be some less than in 1956. Residential building will likely continue at about the same rate as 1956 but at a lower rate than 1955.

Agricultural income for this area is expected to be about the same as 1956.

It will be necessary that business firms keep close control of inventories due to higher carrying costs of such inventories. Competition is expected to be very keen in 1957, but the energetic businessman who watches his costs should continue to make satisfactory progress.

DONALD C. POWER

President, General Telephone Corporation

During 1957 General Telephone will continue its tremendous expansion and construction program, setting another new record for expenditures for this purpose. During 1956 the System spent in excess of $150,000,000 for this purpose, and we anticipate that during 1957 the figure will be closer to $175,000,000.

Donald C. Power

All of this construction and expansion activity is designed to continue to give people in our various operating areas the very best in modern telephone service. As the population increases in those areas and as the telephone comes into greater usage in the daily business and social habits of people, we find that the growth in the number of telephones is going on unabated. During 1956 we will have added through internal growth 225,000 telephones to General Telephone System. We expect that during 1957 we will gain more than 250,000 telephones.

The present money situation is making the cost of money to General Telephone System higher, a fact which we will have to watch very closely in determining our need for higher telephone rates. If this higher cost of money continues, unquestionably we will have to ask the various public utility commissions in the states where we operate to review our rate structures in line with our added costs.

With this large scale growth and continued rapid expansion, we anticipate that our requirements for additional money through the sale of System securities will be at least as high as we have experienced during 1956.

The operation of our manufacturing and sales subsidiaries, which include Automatic Electric Company and the Leich Electric Company in Chicago, have continued to show impressive results, and with the backlog which they now have on hand, we anticipate that 1957 will again be a record-breaking year for those groups. Our new manufacturing facilities for Automatic Electric at Northlake, Ill., will be in production during late 1957, which we believe will increase our productive capacity as well as improve our efficiency to produce high grade communications equipment.

All in all it is my opinion, looking at 1957 and the possibilities ahead for the telephone business that the records achieved during 1956 will again be broken during 1957. All of these estimates must of course be dependent upon a solution to the Middle East question or other international developments which could vastly change our present thinking.

GWILYM A. PRICE

Chairman and President, Westinghouse Electric Company

As a result of vigorous preparations carried through in 1956—and in view of predictions for a generally higher level of business activity during the coming year—Westinghouse sales in 1957 are expected to reach a record high. Order backlogs are up 40% over a year ago, and it is expected that orders booked in 1956 will top the previous high set in 1951 during the "Korean build-up."

Gwilym A. Price

The optimistic outlook for record 1957 sales finds support in predictions that the nation's output of goods and services next year will continue to increase at better than the recent 3% annual rate, and will reach $420 billion. The steel, automobile, rubber, chemical and glass industries — all important customers of Westinghouse — are a few for which greater production has been forecast in 1957.

Despite the predicted increase in gross national product, stiffer competition and rising costs promise to "squeeze" earnings, thereby stimulating efforts to achieve more efficient production, more effective cost reduction and better inventory control. The prevailing "tight" money market may also act to retard business activities in some respects.

Because of steadily increasing costs, the Westinghouse board of directors late in 1956 authorized adoption of the LIFO (Last In, First Out) method of valuing inventories. The LIFO system eliminates inflation in inventory costs and charges inflation to operations. While this reduces reported profits, it increases cash earnings during periods of rising costs.

An anticipated 8% increase in total kilowatt sales in 1957 is partially reflected in Westinghouse by a 50% rise in 1956 order backlogs of the Apparatus Divisions. Apparatus products are used in the electric utility, steel, chemical, aluminum and other basic industries.

Two new plants—at Bloomington, Ind. (switchgear distribution apparatus), and Athens, Ga. (distribution transformers)—will help meet demand for apparatus products, although only Bloomington will be completed in 1957. Revamping of facilities at the Steam Division, Lester, Pa., will result in straightline production of large turbines, small turbines and heat exchangers. Now under construction at Dover, N. J., is a new plant for the production of electric stairways.

Westinghouse during 1956 established itself more firmly as the leader in atomic power as performance of Westinghouse nuclear reactors, built for the Atomic Energy Commission and the Navy, merited additional contracts for nuclear propulsion and electric generating units. The U. S. Navy contracted with Westinghouse to design and develop the nuclear reactor plant for the world's first atomic-powered naval surface vessel, a light cruiser for launching guided missiles. Procurement of components also began for the first atomic aircraft carrier. In addition, Westinghouse received the contract to develop the nuclear reactor for the Yankee Atomic Electric Company's new power-generating station near Rowe, Mass.

In order to establish Westinghouse as a major supplier of reactor cores, an Atomic Fuel Department was created. Meanwhile, Westinghouse was working on propulsion plants for 12 additional atomic submarines and a land-based prototype reactor plant for a large surface ship.

Labor contracts negotiated with four major unions extend to 1960 and should offer good prospects of labor stability during this period. Employment climbed to a new high of 127,796 in 1956, but vastly more significant, employee morale since the strike has been excellent. Employees are cooperating wholeheartedly in the post-strike program. Manpower losses attributable to the strike were less than 5% over-all, and only one-half of 1% among engineers and research people. In both cases, turnover was lower than normal.

H. G. PYLE

President, The Central Bank Company, Lorain, Ohio

The long-run outlook of the United States is truly a bright one. The production and research achievements of the past are important reasons for our optimistic projection into the future. Excludling the influences of world conflict, and allowing American free thought and movement to prevail, our Nation and its people can expect a higher standard of living as decades pass.

H. G. Pyle

The year 1957, in my opinion, however, faces the test of a continuing rolling adjustment which has been in operation during 1956, and may well result in the year ending in 1957, lower than that prevailing in the latter part of 1956.

The one major factor in holding 1956 as a great year was the volume in business plant and equipment expansion. Most of the major corporations are planning five and 10 years ahead and have been planning new production facilities for the impact of new family formations to confront us increasingly, sometime in the early 60's. Each major corporation has ambitions of capturing a greater portion of this ready market and with this comes the competition which eliminates in-

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efficient plants or less acceptable products. Caution may well be placed upon the rapidity of expanded capacity.

The other factor of strength was the consumers' spending for non-durables and services aided by expanded personal incomes.

The above factors offset the 17% drop in housing starts and approximate 28% drop in automobile production and held 1956 levels well above 1955.

The years 1955, and 1956, witnessed a rapid increase in the use of credit. The capital improvement and investment boom plus long term real estate mortgage investments have used up the savings faster than the ability of the nation to save. In this environment of unusually high credit demand and short supply, future capital expenditures planning, and personal expenditures may well take a more conservative attitude.

The main boom to 1957 is the continuation of capital improvement programs started in 1956, as well as the new projects planned. This should stay at high levels through the first part of 1957 with a gradual reduction in the latter part of 1957.

Federal, State and local governments will no doubt spend more in 1957, than in 1956, for the armed services, roads, schools and other public services, and may well offset possible decline in plant and equipment expenditures in the latter part of 1957.

Residential construction in my opinion will decline further in 1957, due to credit problems, unrealistic interest rates on guaranteed and insured mortgages and markets borrowed from the future under the 30-year, no down-payment mortgage program.

The keys to 1957, in my opinion, are dependent largely upon the consumers of durables, non-durables and services. Automotive, though models have been made attractive, may face a market that has been heavily sold and the liberal credit terms in 1955 and 1956, have borrowed somewhat from today's markets. I feel that present forecasts of automotive production are optimistic. Inventories of durables can be troublesome even at present levels, should automotive and other hard goods producers not reach the goals planned for.

In the above environment it would appear that credit demands will be eased sometime during the year which could have favorable influences on bond prices. The stock market in this environment could be lower and highly selective as to respective companies.

The Great Lakes area and particularly Lorain, Ohio, has gained heavily in the capital improvement program. Lorain is favored with efficient and modern plants in steel, earth moving equipment, shipbuilding, among others. Sometime in 1958, a major automobile assembly plant is scheduled for completion with maximum payroll requirement reported at approximately 4,600 employees. The favorable influences of a port on the St. Lawrence Seaway along with its other advantages, places Lorain, Ohio, in a favorable position with respect to any general business decline.

In all, 1957 should be a good year for efficient producers. It will be a highly competitive one and profit margins will be more difficult to maintain. It is my opinion, that the upward march of prices and costs may be halted in 1957. The above views are made with the assumption that there will be no world conflict.

HAROLD QUINTON

President, Southern California Edison Company

Shortages of manpower, materials, and of money are likely to restrain the economy's advance during 1957. While the effect of these restraining influences on different industries will certainly not be uniform, the overall economic pattern should be one of levelling off.

Harold Quinton

I am confident, however, that the electric utility industry will continue to register the advances which have characterized its operation over the past several years. First, the increased production of the new and "glamorous" growth industries will be dependent in large measure upon increased consumption of electricity. Second, as industries in general turn more and more to automation in an effort to cut costs and relieve the pressures of labor shortages, they will be supplanting, or perhaps more accurately, supplementing, manpower with electric power. Third, there is a pronounced increase in the emphasis upon improved lighting and air-conditioning in the many new schools, hospitals, office buildings and other commercial establishments that are being built, and are planned for this year. These trends also hold promise for increasing use of electricity even in the absence of a rapid rise in the general economy. Fourth, in spite of the anticipated decline in the number of homes to be built in 1957, a continuation of the recent trend to larger homes may reasonably be expected. These larger, more expensive homes include a wide variety of electric appliances and should result in higher average residential consumption. The residential heat pump may be expected to receive more general acceptance during the year.

Applications of electricity have been constantly increasing in every sector of the economy. As this occurs, electric energy is becoming more and more indispensable to the welfare of the nation and the well-being of its individuals. Thus, the upward trend of the energy sales curve is given a resistance to downward pressures very few industries enjoy.

My view of the sales growth of electric utilities which may be expected in 1957 does not overlook the major problems the industry must face during the year. These are the same problems that have confronted the utilities for many years. The first is the ability to secure increased rates rapidly enough to offset the inroads upon earnings caused by inflation; that is to say, the increasing costs of labor, fuel, construction, taxes and more recently money, none of which can automatically be passed along to the consumer. Where regulation is hesitant to deal directly and courageously and quickly with this problem, the operating utilities will suffer. A second major problem lies in the threat posed by unfair, subsidized, competition through government operation of electric properties and the preference clause. Mounting evidence suggests that these problems certainly will loom no larger in 1957 than they have in the past, and that, to the contrary, some progress may be made during the year toward their ultimate solution.

In summary, I believe that outlook for the electric utility industry in 1957 is favorable. Nothing short of a very serious and protracted downturn in business, which I do not foresee for this year, can seriously affect the continued climb in electrical sales.

MILTON R. RACKMIL

President, Decca Records, Inc., and Universal Pictures Company, Inc.

The entertainment business, particularly phonograph records and motion pictures, has good reason to anticipate a prosperous year in 1957.

Milton R. Rackmil

Although any prediction is contingent upon the general economy both here and abroad, our past experience suggests that the mass of population is eager for recreation, particularly if the price is right.

As both the record and motion picture businesses are designed for mass consumption, we feel heartened by the fact that the present level of prosperity will provide additional money for the purchase of entertainment and recreation.

Like all businesses, ours, in the past year, has experienced increased costs in production but we believe that this factor is now somewhat stabilized.

In the motion picture business we continue to benefit from the growing foreign markets. Each year, with the increase in population, we have more potential customers. Our job is to keep them minded to our type of entertainment by utilization of all the best promotional and advertising methods.

Certain of our studies establish the fact that the age groups between 16 and 25 represent the large segment of motion picture patronage. In the record business, as well as in the motion picture business, the development of personalities with youth appeal remains one of our most important projects.

Barring any unforeseen crisis, it is my feeling that the amusement business will continue to be, as I said last year, healthy and exciting.

HENRY H. RAND

President, International Shoe Company

Most economic indicators point to another good year for the shoe industry for 1957. Population, national income and consumer expenditures will all continue the present uptrend. The picture for the first half of the year is particularly encouraging.

Henry H. Rand

Retail shoe merchants should enjoy and upturn of several percent in pair sales, with an even larger upturn in dollar sales. There is increasing evidence that the public is grading up. They are looking for better quality in both shoes and apparel and appear willing to pay for the quality they desire.

Shoe production should also show an upturn and 1957 will quite likely be the first year during which the industry will produce in excess of 600,000,000 pairs.

Plans at International Shoe Company are being geared to meet the anticipated upturn in the demand for shoes. Production and distribution plans will be accelerated to meet the requirements of this growing market.

Since the end of World War II an increasing portion of the consumer dollar has been expended for hard line goods. During 1956 a change took place which will continue into 1957. The pent-up demand for houses, cars, refrigerators, television sets, etc., appears to have been partially satisfied.

Higher interest rates tend to discourage somewhat the rate of buying for these consumer durables. The net result has been that consumer non-durables, apparel and shoes included, are beginning to get a more favorable share of the consumer dollar. It is this broad trend that makes the shoe sales outlook for 1957 particularly bright.

The growing importance of style in men's, teenage, and juvenile shoes should result in broadened markets and good sales gains on these types. Such gains will not come automatically. Competition for the consumer's dollar will continue to be very keen and shoe retailers, as well as manufacturers, must be alert and aggressive in order to get their full share of the market.

Continued on page 104

Member Federal Reserve System

BANK OF THE COMMONWEALTH — TERRA ECONOMIA LABOR

Member Federal Deposit Insurance Corporation

DETROIT, MICHIGAN

Statement of Condition December 31, 1956

RESOURCES

CASH AND DUE FROM BANKS	$ 57,154,294.12
U. S. GOVERNMENT OBLIGATIONS	170,217,433.51
STATE AND MUNICIPAL BONDS	13,878,810.34
OTHER BONDS AND SECURITIES	2,670,000.95
STOCK OF FEDERAL RESERVE BANK	420,000.00
LOANS AND DISCOUNTS	103,254,136.85
BANKING HOUSES	1,897,947.34
FURNITURE AND FIXTURES	966,266.33
OTHER ASSETS	1,140,749.42
	$351,599,638.86

LIABILITIES

DEPOSITS	$326,754,200.50
OTHER LIABILITIES	6,090,850.16
CAPITAL (COMMON STOCK)	7,000,000.00
SURPLUS	7,000,000.00
UNDIVIDED PROFITS	4,754,588.20
	$351,599,638.86

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FRANCIS F. RANDOLPH

Chairman of the Board and President
Tri-Continental Corporation, Broad Street Investing Corporation, National Investors Corporation, Whitehall Fund, Inc.

The outlook is for the economy to remain very active well into 1957. That the capital goods industries will continue at a high rate is assured by programs already underway, and there should be an increase in the demand for consumer durable goods, particularly automobiles. Improvement in farm income is also likely. Higher government expenditures for highways, schools and other public works are anticipated and national defense and foreign aid now are expected to require greater spending than the increases for 1957 anticipated earlier. Also, there is a greater demand for oil and ships, steel and steel products, and an inflationary influence on commodity prices, resulting from the Suez Canal stoppage.

Francis F. Randolph

Not all of the 1957 outlook is so propitious, however. Declines are foreseen in residential and commercial building, with tight money influencing this situation. Consumer spending already has shown signs of laboring under difficulty in registering new gains. Nor can expenditures for new plant and equipment, although expected to remain high, be depended upon to provide the same boost to over-all activity they furnished in 1956. Again tight money is a factor, and this problem is common to industry generally. Higher cost of doing business —through increases in interest rates, materials prices and labor rates—is further complicated by a slackening in export demand for this country's manufactured goods, traceable to the Middle East flareup.

The competition for additional business volume is extremely keen in a domestic economy that is seemingly close to its current effective productive capacity. This competition, along with dislocations between industries, pressure on credit, rising costs and a tendency to increase inventories, results in a greater squeeze on corporate profit margins and earnings. It had already created a growing problem in latter 1956 when industrial reports began to show a similarity of increasing sales accompanied by decreasing profits.

Prospects do, however, remain good for the longer range growth of the economy and, as in 1956, the prevailing picture need not be unfavorable in 1957. There are now, of course, many built-in economic "stabilizers" that did not exist in the past. But there are also stresses and strains on the economy, such as weakness in the bond market, an increase in business failures and the pressure on corporate earnings desulting from increasing competition and costs. The situation warrants close attention and caution on the part of the prudent investor.

DELOS W. RENTZEL

Chairman of the Board, Slick Airways, Inc.

In the first nine months of 1956, Slick had a net income after Federal income taxes of $317,000, compared to a loss in 1955 of $504,000 for the same period. In addition, Slick had a capital gain in 1956 from the sale of equipment (after taxes) of $148,000.

Delos W. Rentzel

In October, the company's stockholders authorized the increase of capital stock from one million to two million shares with a par value of $5 per share, in anticipation of the sale in December of $5,000,000 worth of 10-year convertible debentures. The Chesapeake & Ohio Railway invested $3,333,000 and the Earl F. Slick family, $1,667,000 in the company.

The company has demonstrated the results of its long-range financial planning undertaken late in 1954. The purchase of substantial interest in Slick by the progressive Chesapeake & Ohio Railway shows the conviction of other national industries in Slick's future growth.

Sales

In the first nine months of 1956, Slick Airways carried a total of 59 million ton miles of cargo, mail and express, an increase of 21 million ton miles of cargo over the first nine months of 1955. This ratio will remain substantially the same for the remainder of the current year.

Slick inaugurated a $1 minimum on air shipments, the first airline in the nation to do so. It added new sales specialists in the fields of Mail and Express and Live Cargo. Sales reflected the addition of newer, faster aircraft permitting greater customer service.

Outlook for 1957

Slick expects an average revenue of $2 million a month in 1957. This will represent substantial increases in common carrier, charter and engine overhaul operations.

According to a Twentieth Century Fund study, 59 cents out of every dollar goes toward the distribution of goods, as compared with 41 cents for producing them. That distribution cost, of course, reaches far beyond the price tag on transportation alone.

Slick has already begun its attack on transportation costs. In 1955 the minimum air charge was reduced to $1. Now it is imperative to cut the cost of ground transportation accordingly. Slick plans to make major revisions in pickup and delivery charges next year. In addition, Slick engineers are studying new equipment and methods of ground handling.

Slick plans to expand its program of sales experts to handle highly specialized customer needs. Early in 1957, it will add a Sky-Van service for moving household goods and a Perishables Division to handle fresh vegetables and flowers. Each of these divisions will be staffed by a technician experienced in his particular field.

New schedules and route improvements in 1957 will continue Slick's program of eliminating circuitous routes in favor of more direct on-line service.

Delivery of two big four-engine DC-6A air freighters by the spring of 1957 will greatly increase its present fleet. For example, from one customer alone, Slick has a pledge to increase the annual billing from $250,000 in 1956 to $1,000,000 in 1957. All the airline needed was more capacity, which it will have soon.

Equipment

In 1956, Slick acquired three additional DC-6 A's and five DC-4's. Currently, it operates a fleet of 26 aircraft, including six DC-6 A's, seven DC-4's, and 13 C-46's.

Slick will add a DC-6 A in February and another in April and five more are ordered for delivery in 1958. With delivery of the planes in 1958, Slick will operate more DC-6 A's than any carrier in the world.

International

Slick created a new division in 1956 to handle its domestic and international charter and contract work. In the month of July alone, Slick flew more than 4,500,000 commercial passenger miles and more than 6,000,000 military passenger miles across the Atlantic, and more than 14,000,000 military miles across the Pacific.

Foreign vacation travel in 1957 is expected to reach fantastic proportions. Lower fares, better accommodations abroad and the high interest in travel provides a great new market.

For 1957, Slick has already chartered more than 30 round-trip flights for U. S. students abroad. Forty flights have been scheduled from Canada to Europe, Latin American and the Pacific.

While the passenger airlines are equipped to handle individuals on a mass basis, Slick offers specialized service to large groups on a charter plan—tailor-made for their needs, interests, and budget. Slick is equipped and manned to render exceptional service to contract or charter service for commerce, the military and international diplomatic activities.

Overhaul and Maintenance Division

The company employs more than 400 highly skilled, technical craftsmen at its aircraft and aircraft engine overhaul base at San Antonio. The company has been the sole over-hauler of the R-1300 engine for the government T-28 trainer since July, 1951. It has serviced 3,922 engines.

The company will concentrate on servicing private and commercial planes and engines as well as military equipment in 1957.

Management

In May, 1956, Robert J. Smith, Brigadier-General who had an important role in forming the Air Transport Command in World War II, joined Slick as President. General Smith, who is also Chairman of the Board of the Federal Reserve Bank of Dallas, has improved operations and increased the earnings of Slick.

When the movement of the company's home office from Burbank, Calif., to Dallas, Tex., is completed in January, the company will have the advantages of a more centralized national headquarters. It is adding a new American Telephone & Telegraph communication system and a Univac 120 computer in its Accounting Division.

RICHARD S. REYNOLDS, JR.

President, Reynolds Metals Company

Aluminum supply and consumption will set new records in 1957. Total aluminum supply for 1957 is estimated at 2,550,000 tons. This is about 200,000 tons above the 1956 level, which represented an all-time high. Consumption requirements in 1957 are also expected to set a new record.

R. S. Reynolds, Jr.

The year 1956 was the first since World War II to be completely free of aluminum shortages and therefore the first in which the development of new markets could proceed unhampered. With 1957 promising to be a year of still greater supply for all present and prospective users of aluminum, the market growth of recent years should continue unabated.

Behind this healthy balance between supply and demand is the industry's proven ability to increase its domestic production. The primary output in 1957 will be about 2½ times what it was in 1950, the year the Korean War expansion began. Total aluminum supplies, including scrap, will more than double during that same period.

Reynolds Metals Company is responsible for a significant part of this increase in supply with an estimated 1957 production of close to 500,000 tons as against 216,700 tons in 1950. Additional capacity, now under construction in Alabama, will enable the company to step up its production rate to the 600,000 ton level by the end of 1957.

As the one basic metal which more than keeps pace with the nation's growing economy, aluminum has been able to supply an increasing share of industry's raw material requirements. This is particularly evident in the construction, transportation and electrical markets. The typical automobile, for example, now contains about four times as much aluminum as it did a decade ago.

The aluminum industry's drive for new and larger markets will be more powerful in 1957 than ever before, now that a larger supply is available to prospective as well as present consumers. New finishes are playing an important role in winning key markets away from other materials. Various types of color-finished aluminum are being featured in building panels, automobile trim and appliance parts for exterior and interior use. In effect, prospective consumers are being offered not just one metal but a wide range of aluminum metals in many different sizes, shapes, textures, appearances and technical characteristics.

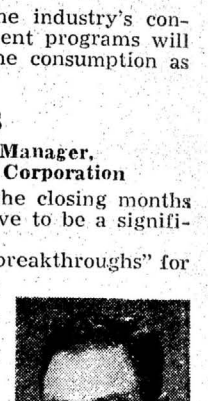
These developments account for the industry's confidence that its selling and development programs will make 1957 another record year in the consumption as well as the production of aluminum.

D. A. RHOADES

Vice-President and General Manager, Kaiser Aluminum & Chemical Corporation

For the U. S. aluminum industry, the closing months of 1956 and the year 1957 should prove to be a significant period in two respects.

It should be a period of important "breakthroughs" for a number of major commercial uses of aluminum that have been in the development stage for several years, and, secondly, it will also be remembered as a period when aluminum supply caught up with current market demand. These contrasting conditions are actually compatible to the extent that an additional supply of metal is an essential prerequisite to future encouragement of any aluminum applications requiring large tonnages.


D. A. Rhoades

The automotive industry is an outstanding example. Typical major applications under evaluation now include a one-piece, die-cast aluminum automobile wheel and brake drum, a development of the Kaiser Aluminum & Chemical Corporation, and an all-aluminum engine block, a joint development of Kaiser Aluminum and the Doehler-Jarvis Division of National Lead Company.

The rapidly growing field of aluminum food containers—especially in frozen and refrigerated foods—is another example of one of the country's most important industries preparing to utilize the unique properties of aluminum in new large volume applications.

During the latter part of 1956, aluminum supply once again caught up with market demand, thus completing a surplus-shortage cycle which began back in 1954 when the aluminum industry completed a tremendous expansion of its primary aluminum making capacity in support of the Korean war effort.

The year ahead will find substantial completion of additional expansion in the industry's basic production and fabricating facilities which should greatly reduce the possibility of another shortage period recurring and also serve to encourage new users with new product developments requiring large tonnages.

Kaiser Aluminum & Chemical Corporation is in the midst of a major plant expansion program which will substantially increase production and fabricating capacity. These facilities include a fully integrated reduction plant and rolling mill at Ravenswood, W. Va., close to major aluminum markets, representing a total investment of over $200,000,000 and an alumina plant with associated caustic-chlorine production facilities at Gramercy, La., costing over $70,000,000.

Other Kaiser Aluminum expansions now underway or completed during the past year include the addition of a ninth pot line at the Chalmette, La., reduction plant, the nation's largest; additional extrusion presses at Halethorpe, Md.; purchase and expansion of a forging plant at Erie, Pa.; purchase of an aluminum food container plant at Los Angeles, Calif., and the building of a similar facility at Wanatah, Ind. An aluminum extrusion plant has also been acquired at Dolton, Ill., in the Chicago metropolitan area. At the same time, the corporation's bauxite mining operations in Jamaica are being doubled to a rate of 4,000,000 tons per year.

In the corporation's chemical and refractories operations, a new basic refractories plant has just been completed at Columbiana, Ohio, and the dolomite mining and seawater magnesia facilities at Natividad and Moss Landing, Calif., are being expanded. The caustic-chlorine plant now under construction at Gramercy, La., is evidence of the corporation's increasing interest and activity in the important field of industrial chemicals.

A major development of 1956 for the U. S. aluminum industry has been the turning to coal as an economic energy source for the very large amounts of electricity required by the aluminum reduction process. This development was spearheaded by Kaiser Aluminum & Chemical Corporation in its selection of the Ohio River Valley as an aluminum production site. In addition to coal, the region also offers the advantages of close proximity to major aluminum-using markets, which help to offset constantly rising transportation costs. The com-

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pany is thus able to move materials from mine to fabricating plant in a direct line over a short, all-water route terminating at the center of a market which accounts for 70% of U. S. aluminum usage.

For Kaiser Aluminum & Chemical Corporation, 1956 marked completion of the company's first 10 years as an aluminum producer. During this period the company's investment in property, plants and equipment has grown from $30 million to $354 million, working capital from $6 million to $138 million, total assets from $27 million to $489 million and net worth from $11 million to $223 million. Cash dividends paid to stockholders have aggregated $50,835,000.

LEWIS S. ROSENSTIEL

Chairman of the Board, and President, Schenley Industries, Inc.

A feeling of guarded optimism about the immediate future has replaced the doubts of the U. S. liquor industry as to whether it would ever share in the nation's current prosperity. After six years of decline, the industry's sales and earnings in 1956 showed a moderate improvement for the second year in a row. Sales for 1956 are expected to exceed 215,000,000 gallons, up from 200,000,000 in 1955.

Lewis S. Rosenstiel

The rising curve should continue into the new year if the industry is given a reasonable atmosphere on legislative and regulatory policy, particularly with respect to such grossly unfair burdens as the Federal tax rate of $10.50 a gallon on distilled spirits and the tax force-out law which limits the bonding of liquor to eight years.

Schenley has been a longtime foe of the tax force-out law, claiming that it discriminates against the U. S. industry and is in favor of foreign distillers. Only the United States has a law that forces a distiller to remove spirits from bond at the end of eight years whether or not he has a market. Every other country allows a distiller to keep his spirits in bond until he has a market.

The industry is also pressing for tax relief in the form of a reduction to $9 a gallon from the present $10.50 figure. The tax was increased from $9 to the present figure in 1951 to meet increased Korean war needs. The law raising the rate also called for a return to the $9 figure within a year after the end of the hostilities.

These rates compare with $1.10 a gallon following Repeal in 1933 and an excise of $3 a gallon in 1942 before World War II increases.

More aggressive industry merchandising and increased consumer purchase of luxury products are partially responsible for the further improvement of the liquor business in 1956. The spectacular rise in vodka sales and the solid increases marked up for both gin and brandy are notable examples.

New trends in packaging have also helped sales, and decanters are increasingly in favor as holiday gifts. The popularity of the decanter as a year-round gift should grow and provide a further sales plus.

Other factors that should increase sales next year and in the years immediately ahead are:

(1) The rise in the U. S. adult population.
(2) An increase in "dining out" and a search for entertainment away from home.
(3) A continued trend to quality merchandise which will help the industry's financial position.
(4) Continuing expansion of self-service and self-selection which, in many areas, is just starting.
(5) Stabilization of brands in established type and price brackets.

The installation of self-selection and self-service at the retail level is expected to help check rising operating costs. This reduction and the expected increase in the dollar value of the individual purchase unit should combine to reduce the number of industry business failures at the retail level.

DANIEL T. ROWE

President, Kings Highway Savings Bank, Brooklyn, New York

The year 1957 opened its eyes on the tightest money market in many decades. Each quarter of 1956 witnessed a steadily mounting demand for capital which has not as yet shown signs of leveling off. Business is good, so good, in fact, that multitudinous expansion programs are underway.

Daniel T Rowe

Almost all types of construction, except residential housing, are on the uptrend. Add to this the Federal Highway Program and evidence of increased outlays already approved for other state roads, new schools, municipal improvements of many kinds and it is easy to understand why competition for the dollar has pushed interest rates close to the ceiling. While current interest rates have forced deferment of some expansion programs and undoubtedly will force deferment of many more there are a great many undertakings of national and local interest that simply cannot be put aside any longer.

An international pressure, the bottling up of the Suez Canal, still further aggravates the situation. The Suez incident will undoubtedly have unfavorable repercussions in many sectors of our economy later in the year when the full effects of Europe's dislocations will be felt. Curtailment and/or cancellation of orders for goods will result in inventory accumulations, production slowdowns and some unemployment in companies supplying export items. Offsetting this is the need to step up exports of fuel and other necessities to alleviate suffering in Europe.

As to our own local outlook, real estate sales, while substantial, will, we believe, show a further decline for the year 1957. Residential starts for the country may be under 900,000 if the present trend continues. This would be a further decline in the number of starts under last year which were roughly 20% under the year before. The decline in residential building will be more than offset by other types of construction despite the higher trend of construction costs. This implies a relocation of employees from the residential housing field to other construction lines.

An increase to 5% in the interest rate on veterans loans, if approved by Congress, should arrest the decline in housing starts by easing the stringency in the supply of mortgage money, some of which is being withheld from the mortgage market by reason of rate. However, many institutions either have reached or are reaching their mortgage loan limits.

The country-wide demand for capital has brought bond yields to a figure that is attracting funds ordinarily reserved for mortgage investments. It appears that bond yields will continue to rise. The income return available on new issues has the effect of loosening funds now frozen in older prime investments bearing substantially lower coupon rates. Many investors are seizing present opportunities to improve bond portfolio income by switching out of low yield bonds to higher income bonds. Others are switching into more lucrative loans. While this selling involves taking substantial losses, these can be partially or wholly offset by tax deductions, increased income over a few years, or both. The market for government bonds reflects the urgent need for money. Government issues have dropped to new lows and may dip to still lower levels before a stabilization occurs.

As many economists and noted persons have pointed out, it is of prime importance for people to save considerably more money. Disposable personal income should show a steady rise during the year, but it is estimated that personal expenditures will rise almost as much. In times such as these when people enjoy good incomes and there is little unemployment, it is difficult to practice self-denial. We need more real savings to help reverse the current trend.

To sum up, industry is expanding its programs. Federal, state and local governments are expanding their programs. These factors along with the international situation have created an unparalleled demand for capital. There are a few, if any, signs of a business slowdown or an increase in the supply of money to reverse the trend, consequently, it is our view that for the year 1957 money rates will not ease, barring inflationary moves by the government.

D. J. RUSSELL

President, Southern Pacific Company

Gross operating revenues in 1956 for Southern Pacific were up over 1955, but because some requested freight rate increases have not been granted and those granted have not been sufficient to offset wage increases and other costs, net income has declined.

Donald J. Russell

Our financial ability to carry out the capital improvements required is hampered on several sides. Regulatory processes delay and often prevent necessary adjustments of our prices to meet rising costs. Outmoded restraints prevent us from making competitive rates which would improve earnings. And some state commissions are too reluctant to allow the trimming of costly passenger train service the public no longer wants. We hope that more realistic recognition of the relation between adequate earnings and adequate service will be evidenced in future regulation.

However, we are continuing within limits of our financial resources to take advantage of as many technological advances as we can to offset rising costs and to continue high standards of transportation service.

Capital expenditures in 1956 for needed improvements amounted to more than $130 million. Huge sums went for new freight cars, increased dieselization, construction of new electronic yard facilities and improvements in communications, signaling and roadway.

In 1956, Southern Pacific acquired more than 3,000 new freight cars. As of Jan. 1, 1957, we had 10,869 new cars on order, not counting another 2,000 refrigerator cars ordered for Pacific Fruit Express Company, a jointly owned subsidiary.

Continuing into 1957 is work on Southern Pacific's Great Salt Lake Fill, a $49 million project which entails construction of a new solid causeway across that inland sea. Enough rock and gravel will be moved to build nine Great Pyramids of Cheops. The fill will provide a permanent roadbed greatly strengthening the crossing as a vital artery of national defense on our Overland Route.

And during the coming year, Southern Pacific now handling over 90% of its traffic by diesels, will add 86 more engine units, brining its diesel fleet to more than 2,000 units.

We expect the eight-state territory we serve in the West and Southwest to maintain its rapid growth, requiring continued substantial capital expenditures to meet the transportation needs of this area.

From a traffic standpoint, volume of freight handled in 1957 should about equal 1956.

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HATS OFF TO THE PAST

To increase production and reduce costs, Brown Company in the last 10 years has invested more than $36 million in plant improvements and additions to timberlands.

Over the same period book value of the common stock rose from $2.88 to $21.24.

Coats off to the future

With its vast New England woodlands, abundant water power, newly modernized mills and its laboratories—plus the creative minds of its research scientists—Brown Company looks to continued progress in the field of pulp, paper and paper products.

BROWN COMPANY

Executive and General Sales Offices: 150 Causeway St., Boston 14, Mass.
Mills: Berlin, Gorham, and North Stratford, N. H.; and Corvallis, Ore.

NIBROC TOWELS & TISSUE • NIBROC PAPERS • KOWTOWLS • BERMICO FIBRE PIPE • ONCO INSOLES
SOLKA PULPS • SOLKA-FLOC • CHEMICALS • HIGH GRADE LUMBER, VENEER AND PLYWOOD

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R. E. SALVATI

President, Island Creek Coal Company

America's bituminous coal industry may now definitely be classed as a "growth industry." This is something new in the picture. While coal has always been regarded as supplying a basic need—the evergrowing market for energy — it has in the past 35 years seen its competitors increase their shares of the energy market while its own share has constantly decreased. The result has been that, except for war and post-war periods, coal has lost position absolutely as well as relatively, but we in the industry think our losses have run their course. It is my belief, shared by many other coal executives, that from 1954 on the trend is definitely upward, and that the growth in demand can become great enough to strain the abilities of the coal industry and of transportation facilities to meet it.

R. E. Salvati

To provide a capacity sufficient to supply this demand, and at the same time replace exhausting mines, will require billions of dollars of new capital—dollars which will be justified only by reasonable profit return.

Because of mechanization of operations both underground and aboveground, the capital cost of developing new coal mines has risen sharply. The greater quantities of coal consumed by large enterprises have made large output mines desirable. These two factors combine, to make larger corporate organizations necessary and are, therefore, promoting mergers, consolidations, and purchases. The current trend toward larger scale organizations is both necessary and healthy.

Our company is recognizing the trend toward larger corporate units. In the last two years or so it has made three major acquisitions. It is my expectation that the company will continue to grow as desirable acquisitions can be made. It is our policy not to grow merely for the sake of growth, but only where we think we can, by so doing, increase the value and earnings of our existing stock.

For the year 1957 I can only express optimism. I have no hesitancy in saying that we in Island Creek see a bright future for the coal industry and that we intend to plan and work for an increasing share of that future for Island Creek.

The task ahead is not an easy one. No industry can satisfy a growth demand such as that projected for coal without encountering difficult problems. Like other coal producers, Island Creek is faced with the problem of finding the capital with which to finance its expansion. We in management are naturally striving for increased profits as a means of providing a large part of the needed capital. As a "career company" dedicated to coal, and as a leader in the coal industry, we of Island Creek face the future with optimism and confidence.

BRIG. GENERAL DAVID SARNOFF

Chairman of the Board, Radio Corporation of America

For the year 1956, business volume of the Radio Corporation of America will total approximately $1,125,000,000—an increase of about 6% over 1955 and exceeding the billion dollar figure for the second time in RCA's 37-year history. While final figures for the year are not yet available, and are subject to final audit, it is estimated that profit, before Federal Income Taxes, will be about $80 million. Net profit after taxes is estimated to be about $40 million. After preferred dividends, this is equal to approximately $2.60 per common share. This compares with $3.16 a share earned in 1955.

David Sarnoff

The decrease in profit this year is caused mainly by higher costs of labor and materials and the lower prices at which black-and-white TV sets and tubes were sold in a highly competitive market. Dividends to stockholders declared for the year 1956 amounted to $23,981,000 (preferred, $3,153,000; common, $20,828,000). This amounts to $1.50 per common share. The number of common shares outstanding is 13,850,000. RCA employment totaled 83,000 persons, and of that number 8,000 are employed overseas.

Government business accounted for 20% of the total volume and the current backlog of Government orders is approximately $325,000,000.

During 1956, RCA spent nearly $60,000,000 on improvements and expansion of facilities.

Color Television

It is well to recall that throughout the past year many statements have been made publicly about the status of color television in the United States. Some of these were made by well-intentioned people interested in the progress of a new art and the promise of a new industry. Others were made by those whose objective is to retard the progress of color television in order to serve their short-term purposes. In every pioneering industry there are those who prefer to see the other fellow undertake the risks of initial investments and do the spade work while they watch and wait. Sometimes they even try to impede the progress of the pioneer.

For RCA, which has pioneered in world-wide radio communications, in radio broadcasting, in black-and-white television, in electronics and compatible color, such man-made roadblocks do not represent a new experience! We recall, for example, that when RCA pioneered and established black-and-white TV, there were those in the industry who labelled us as "Televisionaries" and the head of one company asserted publicly that "television is economically so unsound that it will never succeed." As late as 1946, an officer of the same company testified before the Federal Communications Commission, "We are not making and do not plan to make any black-and-white receivers."

But several years later, after RCA had demonstrated, beyond peradventure, the great success of TV and that the public embraced it eagerly, these same folks jumped on the bandwagon and "reaped where they had not sown."

History often repeats itself, and I suspect that the same pattern will emerge in color TV as did in black-and-white TV. Today, we hear arguments in some quarters that it will be years before color can reach the stage of profitable operations, etc. Moreover, some other irresponsible statements have been made that in its efforts to establish and promote color television as a new and regular service to the public, RCA has, this year, poured untold millions of dollars into this undertaking.

Although it is unusual for a private corporation engaged in a highly competitive enterprise to disclose figures relating to a new segment of its business, I feel, nevertheless, that the interests of RCA stockholders, and the industry generally, would be constructively served if the record of the actual facts of the situation were made public. Accordingly, here is the record, and here are the facts.

RCA introduced, for the first time, simplified large-screen 21-inch compatible color TV receivers for the Fall of 1955. During the remaining few months of that year, a small quantity of these sets was produced and sold; the major portion was sold in 1956. To date we have sold and delivered 102,000 of these 21-inch color sets. During this period we also sold and delivered color picture tubes, color components and equipment. The total factory billing price of all these color sales amounted to approximately $58,000,000.

After accounting for this year's costs of color developments and improvements, the extra costs of training personnel, of advertising and promotion campaigns involved in launching a new product and service, and the costs of providing color programs on the air, the net loss (after Federal Taxes) of all RCA color activities for 1956 amounted to approximately $6,900,000. This is certainly a reasonable expenditure to lay the foundation for a business that promises substantial profits in the near future.

Such "starting up" expenditures are inescapable for anyone who would pioneer and lead the way in a new field. The first year's efforts to tool up and mass produce automobiles, or black-and-white television sets, and bring them to the market also entailed losses. But the subsequent years produced handsome profits that more than made up for the earlier losses. Moreover, a position of leadership was established in the industry for the organization that pioneered.

In color television, as in black-and-white, there was the additional requirement to provide programs on the air before sales of receiving sets could be made, and the need to build up a reasonable circulation before advertising sponsors could be attracted to the new medium.

Color TV Outlook

As we enter 1957, the question is—What will the New Year bring? I believe that it will bring increased color television—more color programs will be broadcast and more people will buy color sets for their homes. Also, color television will expand in many fields of usefulness in addition to broadcasting; for example, medical, industrial and educational TV as well as for closed-circuit theatre-TV, sales presentations, and inter-department store shopping.

The year 1957 will witness acceleration on all fronts of color TV as a new dimension in entertainment, education, news and sports, as well as advertising and merchandising. And because of the progress we achieved in 1956, it seems reasonable to expect that some other manufacturers will follow us and enter the color TV field before long. Competition in color programs and in sales of color sets will stimulate sponsorship and accelerate growth of the industry.

RCA's goal for color television in 1957 is to produce and sell 250,000 color sets, to double the number of color programs on the air, to attract sponsors to the new and productive medium, and to encourage others in the industry to enter the field.

Barring unforeseen circumstances, we expect, on this volume to earn, during the second half of 1957, a modest profit on the color sets and color tubes we sell. Thereafter, profits from operations in all branches of color TV should be substantial.

RCA is firmly convinced that color television will provide a greater and more interesting service to the public, a profitable business for broadcasters, manufacturers, distributors and dealers, and a rewarding medium for advertisers. The future of television is in color.

National Broadcasting Company

The National Broadcasting Company, which was organized in 1926 as a service of RCA, observed its Thirtieth Anniversary in 1956. Its avowed purpose was "to provide the best programs available for broadcasting in the United States," and the hope was expressed that every event of national importance might be broadcast throughout the nation. The NBC has steadily adhered to that premise both in radio and television. Eight national political campaigns have been broadcast by the radio network and five have been on TV. The second inauguration of President Eisenhower on January 20, 1957, will be broadcast on a world-wide basis.

Measured by the quality of its programs and financial results, NBC made its thirtieth year the greatest year in its history.

Research Achievements

In looking ahead to 1957, it is helpful to consider what transpired in research and engineering in 1956. To illustrate, on October 1, 1956, RCA scientists demonstrated the following new developments and several unique applications including:

A magnetic tape recorder for both color and black-and-white TV for broadcast use.

A home "Hear-and-See" magnetic tape player which plays television programs, or phonograph records which are recorded on magnetic tape, so that they can be seen as well as heard through standard television receivers.

A room cooled or heated by electronic panels, operating in complete silence and with no moving parts. The system either cools or heats simply by reversing the flow of electronic current. Also a noiseless electronic refrigerator with no moving parts.

An electronic amplifier of light which amplifies by up to 1,000 times the brightness of projected light; and an application of it in the form of an amplifying fluoroscope for industrial X-ray use.

In time, these developments will find their way to the market place. They will serve the public, benefit industry and open immense fields for further exploration and invention. RCA engineers and merchandisers are studying the commercial aspects of these inventions, all of which hold great promise.

Electronics For Defense

During 1956 RCA undertook various new electronic projects related to guided missile weapon systems, electronic controls for jet aircraft, fire-control systems, airborne communications and air traffic control.

Electronics for Home and Industry

RCA's continued research and engineering programs produced the following results: Weather radar for commercial airlines and smaller planes, transistors, electronic computors, stereophonic sound, increased popularity of high fidelity phonograph records, expanded traffic over RCA's global radiotelegraph network and extension of TEX, RCA's international customer-to-customer teleprinter exchange service.

RCA Objectives

RCA is engaged in the fullest possible development of electronics as a science, art and industry. We are dedicated to continued pioneering and research, and to the engineering and production of instruments and systems of quality, dependability and usefulness. RCA strives to contribute in every possible way to the national security of the United States, to the progress of industry generally, to the advance and improvement of services to the public, and to the pre-eminence of this country in international communications.

There is the most vigorous competition in all fields of the Corporation's activities and this is a healthy sign of the promise of the art and industry in which we are engaged. RCA's objective is to meet the competition successfuly, to earn a reasonable return on its investment, to safeguard the interest of its employees and stockholders and to fulfill its responsibilities to the nation and the public.

NORMAN I. SCHAFLER

President, Consolidated Diesel Electric Corporation

Sales of aircraft ground support and auxiliary services, closely allied to the aircraft industry's anticipated record output this year of commercial aircraft and guided missiles, should soar to new highs in 1957. The year will further disclose a continued and unprecedented emphasis upon product research and development. Advanced models of manned and unmanned aircraft, featuring electronic systems deemed fantastic only a few years ago, will require servicing, testing, and component equipment combining the very best in modern design and performance.

Norman I. Schafler

As a leader in its field, Consolidated Diesel Electric Corporation has seen its volume of business increase sharply each year since its development of the first multi-purpose ground support units for jet aircraft in 1950. Con Diesel's 1957 production will include ground servicing and starting equipment for supersonic aircraft such as the United States Air Force F-100, F-101, F-104, and F-105; test equipment for General Motors, Glenn L. Martin, General Electric, Holley Carburetor, and others; and generator sets for primary power in military radar installations, and in ground control for commercial aircraft.

Con Diesel has consistently emphasized new product research and development. This emphasis was never more apparent nor important than it is today. Thus, in Con Diesel's case, fully 15% of our employees are engaged in research, engineering and engineering support activities.

As a result of one of our research efforts, Con Diesel is today pointing the way to a new concept of moving commercial jet transports on the ground without the noise, heat and blast of jet engines. This concept was presented recently to the Air Transport Association of America,

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Public Utility Securities

By OWEN ELY

South Jersey Gas Company

South Jersey Gas was formed in 1947 by the merger of two wholly-owned subsidiaries of Public Service Corporation of New Jersey, the stock being distributed to stockholders of the latter company. During 1950-55 the company acquired four neighboring gas properties, enlarging its operations. It now serves 78 communities in an area of about 2,000 square miles in the southern part of New Jersey, with an estimated population of 427,000. The latter figure compares with 301,000 in 1940, a gain of over 40%, and growth in the area continues at a rate above state and national averages.

The area served is well diversified between the resort business in Atlantic City, truck and poultry farming, and light industry. Industries or their products include garment making, petroleum refining, dyes and paints, glass, steel, asbestos, cement, plastic products and large scale processing of farm products (Seabrook Farms, etc.).

There is relatively small seasonal fluctuation in the number of customers served in the resort area. Active customers in August totaled 75,000, dropping only to 73,000 in October. Atlantic City is a year-round resort, catering to many conventions, and only about 2,000 customers close their homes during the winter.

Prior to 1951 the company manufactured carbureted water gas, which greatly restricted space-heating and industrial sales. Advent of natural gas in 1951 provided considerable stimulus, reducing costs and increasing supply. Heating value of the gas being over twice that of manufactured gas, effective capacity of the distributing system was doubled. Rates were reduced about 10% to promote space-heating and industrial sales, and larger amounts were appropriated for sales and advertising.

Gas sales increased from 1.3 billion cf in 1948 to 8.2 billion (on a camparable basis) in 1955; and revenues from $3.7 million to an estimated $11 million in 1956 and anticipated $12.3 million in 1957.

The company is now serving over 18,000 heating customers vs. 2,600 in 1948, and annual sales per residential customer more than doubled. During the past three years over 80% of all homes built near the company's mains have been equipped with gas for space-heating, cooking and water heating. Saturation on space-heating is ony 24% and grows about 4% a year. The saturation of gas ranges is now about 90%, water heaters 62%, refrigerators 8% and gas dryers only 4%. Over 95% of the hotels and restaurants in the company's area now use gas for cooking, and other sales to commercial customers have increased substantially. Industrial sales are also important, large purchasers of gas including du-Pont, Armstrong Cork, Owens-Illinois Glass, Seabrook Farms, Owens Corning Fibreglas, etc. The large industrial customers buy both firm and interruptible gas and there is a ready market for interruptible gas at profitable rates, especially in view of recent increases in prices of coal and oil. Some gas is sold to New Jersey Natural Gas Company for resale.

The company began to buy gas in 1951 from Transcontinental Gas Pipe Line, but was unable to obtain all the natural gas required for peak loads and for potential industrial sales. However, late in 1955 the company obtained a substantial increase in the amount of gas and this was further increased recently, so that it is now getting over twice the initial amount, and another increase is expected in 1959. Manufactured gas, propane, and stored gas are available in emergencies.

Under the original contract with Transcontinental, rates were fixed at 28¢ and this cost rose to about 34¢ two years ago. It has remained practically constant since then and no increase in cost is expected for some time. Due to operation of certain rate adjustment clauses and negotiations with industrial customers, the increased cost of gas had only a minor effect on residential bills, and the company's rates are still lower than before the Korean War whereas other fuel prices have increased substantially.

The capital structure is simple and conservative, present ratios (including short-term notes) being about 52% debt and 48% equity. Of the present plant account of about $26 million, some 58% has been constructed in the last ten years.

The company is optimistic regarding future trends in the South Jersey area, particularly along the Delaware River Valley. This river is now said to be the largest fresh water "port" in the world. The new Walt Whitman Bridge in South Philadelphia, together with connecting highway facilities, should give a further impetus to suburban developments and attract more industries to South Jersey. Favorable tax rates, accessibility to large metropolitan markets and ample supplies of water and gas are influencing many industrial companies.

The stock has been selling recently at 25½ on the Philadelphia-Baltimore Stock Exchange, and based on the current dividend rate of $1.40 the yield approximates 5.5% vs. an industry average of 5.2%. President Kendall recently stated, "I have every reason to believe that the Board of Directors will increase the rate of payout as earnings increase."

(There is some conjecture that the rate may be raised at the next meeting around Feb. 25, although the last increase was made last May.) The company earned $2.12 in the 12 months ended November, and Mr. Kendall estimates 1957 earnings in a range of $2.20-$2.25. In 1958, with five million cf additional gas per day, a further increase in earnings seems likely. At the recent price the stock sold at about 12 times earnings vs. an industry average of 13.

Household Finance Debentures Offered

An underwriting group headed jointly by Lee Higginson Corp., White, Weld & Co. and William Blair & Co., on Jan. 15 offered publicly an issue of $30,000,000 Household Finance Corp. 4⅝% debentures, due Jan. 15, 1977, at 99.03% and accrued interest, to yield 4.70% to maturity. The offering was quickly oversubscribed.

Household Finance will use the net proceeds from the sale of debentures to reduce short-term bank loans and to provide additional lendable funds.

The debentures will be non-callable for 10 years. The initial optional call price starting on Jan. 15, 1967 will be 101. The sinking fund is calculated to retire 66⅔% of the issue prior to maturity.

Household Finance, incorporated in 1925, is the successor to a business established in 1878. General headquarters are in Chicago and a total of 800 consumer loan offices are operated in the United States and Canada. On Sept. 30, 1956, a total of $518,670,529 was outstanding in customer notes receivable, representing 1,594,903 loans.

In the 10-year period 1946-1955, total operating revenues have increased from $23,930,055 to $97,133,643, and net income has risen from $5,669,090 to $16,877,670. For the first nine months of 1956 operating revenues amounted to $85,146,758 and net income $16,606,886.

Farm Home Loan Assoc.

CHICAGO, Ill. — Home Loan Associates has been formed with offices at 7 South Dearborn Street to engage in a securities business. Officers are Ben H. Hazen, President; Walter H. Dreier, Vice-President; and Louis W. Grant, Jr., Secretary-Treasurer.

Arkansas Louisiana Gas Stock on Market

The largest secondary offering of common stock in months was made on Jan. 15 with the offering of 964,454 shares of common stock of Arkansas Louisiana Gas Co. by a group of underwriters headed by Eastman Dillon, Union Securities & Co. and Stephens, Inc. The stock was priced at $22 per share. The shares, comprising 21% of outstanding Arkansas Louisiana Gas common stock, were owned by Tri-Continental Financial Corp.

Arkansas Louisiana Gas, is an integrated natural gas company engaged in the production and distribution of natural gas in Arkansas, Louisiana and Texas. It also operates extraction plants for the processing of natural gas and engages in the exploration for and production of gas and oil. On Oct. 31, 1956 the company distributed gas at retail in 151 communities and environs, having an estimated population of 1,000,000.

Operating revenues in the 12 months to Oct. 31, 1956 amounted to $54,767,757, of which $42,891,313 were derived from natural gas sales, $10,120,680 from extracted products and $1,755,764 from other sources. Net income for the period was $6,901,344, equal to $1.50 on the 4,599,945 common shares currently outstanding.

A dividend of 30 cents a share was paid on the common stock during the fourth quarter of 1956 and dividends of 25 cents a share were paid in each of the first three quarters of the year. In addition to the cash dividends, a stock dividend of 10% was distributed on Nov. 21, 1956. The company also paid a 10% stock dividend late in 1955 in addition to cash dividends paid during the year.

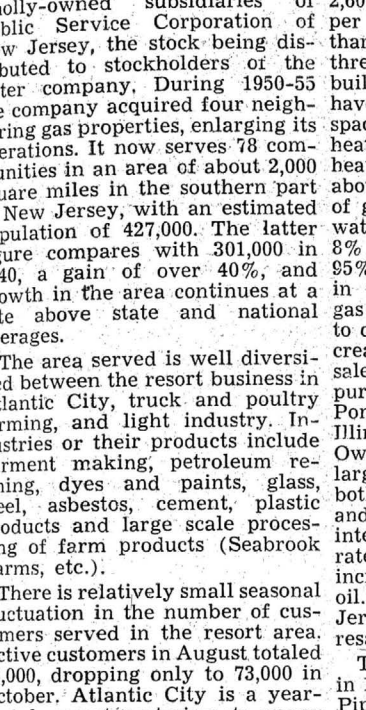
Babcock Director

R. J. Reynolds Tobacco Company has announced the election as a director of Charles H. Babcock, a senior partner of the brokerage and investment firm of Reynolds & Company. Mr. Babcock will take the place on the board of directors of W. T. Smither, who is retiring on Feb. 1.

Mr. Babcock was one of the three original partners of Reynolds & Company when that firm was organized in 1931. For a number of years prior to that time, he was associated with the Guaranty Company in New York and Philadelphia. He is a director of Mercantile Safe Deposit and Trust Company, Security Life & Trust Company and Piedmont Publishing Company, Vice-President and Treasurer of Z. Smith Reynolds Foundation, Inc., and President and Treasurer of Mary Reynolds Babcock Foundation, Inc.

J. F. Conlon Opens

LAS VEGAS, Nev. — John F. Conlon is engaging in a securities business from offices at 727 South Fifth Street.



.....than office space in the Incomparable COLISEUM TOWER at 10 COLUMBUS CIRCLE

26,000 sq. ft. per floor; may divide

Parking within building

Unexcelled transit; incl. 3 subway lines

Renting Office on premises JU 2-1840

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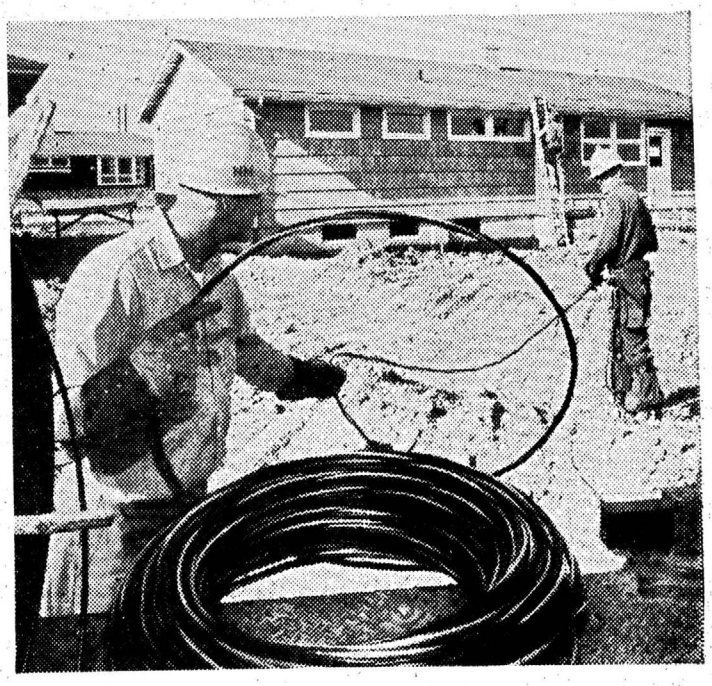
CHAS. F. NOYES CO., INC.

Full commission to cooperating brokers



It takes cable to carry power to the consumer

And as long as America's homes and industries use electrical power, Rome Cable Corporation will have a vital role to fulfill.

You see, there's a lot more involved in making cable than simply putting some insulation on a piece of wire. A wealth of scientific research has preceded virtually every significant cable development, and then it usually takes all the knowledge obtained through years of practical experience to put these new developments into use.

Rome Cable Corporation—as an independent wire, cable, and conduit manufacturer—has contributed in full measure to both the development and utilization of new cable ideas. We plan to continue doing the same in the future. Rome Cable Corporation, Rome, New York.

10

ROME CABLE CORPORATION

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and has occasioned widespread interest among airlines and air frame manufacturers.

In the field of generating equipment, our engineers have developed recently a unique, completely automatic power unit which recommends itself for application by the Armed Forces, particularly at remote radar installations. Commercial applications in 1957 will extend to hospitals and other areas where power failure, even for a short period, might be disastrous.

The company in 1956 produced a substantial volume of automatic and semi-automatic test stands and equipment, of advanced design, and we anticipate a greatly expanded production of such units this year as a result of accelerated requirements by both the aviation and automotive industries.

The company's operating subsidiaries also are geared for important advances in the year ahead. Consolidated Avionics Corporation, which entered upon full-scale operations for the first time in 1956, will intensify its activities in applied research, development, design, and production in the fields of automation, electronics, and digital data reduction. Consolidated Diesel Electric Corporation of Canada, Ltd. began operations in August, 1956, and consequently will experience in 1957 its first full year of production in fields closely allied to the burgeoning expansion of Canadian industry and military and commercial air power.

These projected programs and developments underscore our belief that 1957 will be a record year for aircraft ground support and auxiliary services generally.

ARTHUR J. SCHMITT

President, Amphenol Electronics Corporation

Nineteen hundred and fifty-seven will prove to be another outstanding year for the electronics industry; a continuation of expansion of manufacturing facilities and of products, services and applications is expected. And this will be necessary, for there are many problems to be solved by electronics.

Arthur J. Schmitt

Guided missiles and aircraft now in the design stage will operate at speeds and altitudes even more fantastic than in present operations. Control of these devices is so complex that man must rely upon electronic equipment almost exclusively. There, then, are new challenges to the electronics industry, for a new phenomenon is being encountered—the thermal barrier. The ICBM, for example, will meet relatively simple temperature problems as it fires to above the atmosphere. But as it falls earthward it will accelerate to an estimated speed of Mach 20 and the shockwave temperature around its warhead will be over 45,000 degrees F. New materials, new fabricating methods must be perfected to allow passage without melting, and electronic guidance equipment must function under these conditions. The heart of these equipments is composed of components which must operate perfectly to allow equipment reliability.

As equipment depends upon components, so equipment manufacturers depend upon the component manufacturer. Everything from capacitators to connectors is being supplied for electronics by these vital members of the industry. On each stands the responsibility for research and development, engineering skill and product quality. Nineteen hundred and fifty-seven will chart their response to these requirements.

MALCOLM A. SCHWEIKER

President, American Encaustic Tiling Company

Many alert architects of the country recognize ceramic tile as an excellent medium for imaginative contemporary design and as a source of live vibrant color for the exterior facings of large as well as smaller buildings. Outstanding examples of this trend are on the Pacific Coast, Kansas City, the East and in Florida. This development is new in the United States but not in Europe where it is quite common in Italy, Spain, Germany and Norway and Sweden. If ceramic tile was used on a per capita average in the U. S. A. as in these European countries, the consumption of ceramic tile in the United States would be doubled.

M. A. Schweiker

The Tile Industry is vigorous and the advertising and promotion by individual manufacturers and the Tile Council of America has greatly helped to broaden the use of tile in diversified types of buildings.

The continuing large volume of construction of new hospitals and schools will continue to be an important market for ceramic tile during 1957 and it is expected that these projects will use more ceramic tile in 1957 than was used by schools and hospitals in 1956.

The decline in construction of new homes will be substantially offset by the increase in renovation of older homes. Renovation has always been an important market for ceramic tile. The experience of the Tile Industry is that when new home construction declines, the tile contractor then develops home renovation work. However, several months usually elapse for the tile contractor to adjust himself to the changing market.

The decorator, architect and the housewife have broadened the market for ceramic tile in the larger homes to include the use of tile in sun rooms, porches, living and dining rooms as well as in addition to the usual tiled kitchen and powder room. The trend to larger families and to larger homes results in more bathrooms and larger kitchens and the use of more ceramic tile.

The continuing expansion of the population requires more food manufacturing plants, milk processing and industrial plants, most of which use ceramic tile and are sources of an expanded market.

Ceramic tile for a number of years was in short supply due to the rapid increases of building construction. However, the manufacturing facilities have been steadily increased over the years and now tile is in ample supply to promptly meet the needs of the building industry.

During 1956 our company completed a plant enlargement program which began in 1954 which cost approximately $3,500,000. As a result, our manufacturing capacity at the end of 1956 is 50% greater than during the year 1955 and we are now in position to promptly meet the requirements of our customers and avoid the slower deliveries that were common to the Tile Industry last year.

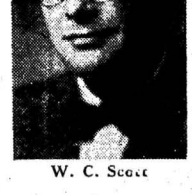
The sales of our company for 1956 will be over 20% greater than in 1955 and profits will be greater than 1956 after absorbing the costs of placing new manufacturing units in production.

Present conditions indicate that 1957 will be a good building year and that the Tile Industry will at least keep or probably increase its share of the building market. We expect our company in 1957 to hold or improve its share of the ceramic tile market compared with 1956.

W. C. SCOTT

Executive Vice-President and General Manager Outboard Marine Corporation

Outboard Marine Corporation looks to another year of growth in 1957. Plant facilities totaling 46% of present area are nearing completion. Machinery and equipment are being installed to produce an estimated 25% increase in sales over 1956. Underlying our optimism is the fundamental buoyancy of the economy. But more important is the ever-increasing interest in water sports which continues to tax our outboard motor productive facilities.



W. C. Scott

The home owner, unable to find help and unwilling to care for his lawn the old-fashioned way, is turning more and more to power lawn mowers.

The need for increased productivity in the woods to meet growing demand for pulp, paper and lumber is leading toward complete mechanization with power chain saws.

In addition to our "home" markets in the United States and Canada, world markets have been growing at an even faster rate. Fuel rationing may cause temporary setbacks in Western Europe, but losses there we believe will be largely offset in other areas.

The strong forces underlying our markets must be nourished and aggressively exploited, however, if we are to realize our forecasts. Substantially increased sales and advertising expenditures are planned along enterprising lines. Planned obsolescence is a relatively new factor in the outboard motor market which has stimulated sales. Engineering and research budgets have been stepped up to keep product improvement and change moving at an accelerated pace.

Increasing labor and materials costs must be met through more efficient plant and equipment. Greater emphasis is being placed on our regular cost reduction activities. New methods and processes are constantly under study and adopted as cost savings can be demonstrated.

Competition for the disposable dollar will grow stronger. We feel such aggressive steps to meet it should bear fruit.

FRANCIS P. SEARS

Chairman of the Board,
The Columbian National Life Insurance Company

For 1957 I expect a prosperous year with a gain in dollar volume of sales though the gain in unit sales may be slight. Public utilities seem surest of a gain in both units of sales and gross receipts with a noticeable increase in net earnings. The automobile business will not equal 1955 in units of sales nor in net earnings since the increased price for cars will not equal the added costs for wages and materials.

Francis P. Sears

Residential building will not equal the past few years; I think this is proper for it has seemed to me that the government was riding for a fall in allowing VA loans with no down-payment whatever required and with the current charges usually less than rentals, especially where rentals have been unfairly controlled. The G.I.'s could walk out at any time without any loss at all. Steel prices will probably be generally raised again and again until the labor union leaders agree to base wages on productivity and cost of living. The present system of paralyzing strikes is causing many losses to both labor and capital. However, the prospect is for a big demand for steel throughout the whole year. The cost to erect a new steel plant is now about three times as much as the book value of present plants.

Oil companies are bound to do well since the Suez Canal is not likely to be in use for many months with resulting overwhelming demand for oil from this country.

There is such an insatiable demand for pulp and paper, largely to supply the advertising pages in the daily newspapers, that a prosperous year for the paper companies seems assured, though the competition is intense.

The enormous Federal Government program for road building indicates big business for the contractors, but care must be taken not to construct free roads unnecessarily competing with the many toll roads constructed in recent years. Perhaps the safest solution would be for the Federal Government to assume the obligation of the toll road bonds.

Chemical companies, rubber companies, banks and many industrials should have a good year though their stock prices may not rise. There is not likely to be any large general increase in stock market prices, though, of course, special circumstances will affect various issues.

The demand for money indicates that the cost of borrowing may increase, but there is a good deal of money available for desirable purchases as was evidenced by the rapid sale of an issue of about $165 million of a bond issue just before Christmas, almost all to noninstitutional investors. The cost of money is not likely to reach any such figures as were experienced nearly 30 years ago before the New Dealers created artificially low rates.

The cost of living will probably continue to increase, and this makes it evident that people should carry much more life insurance, so I expect a very satisfactory year in our business.

We expect that over $6 billion will be paid by the life insurance companies to policyholders and their families and that nearly $6 billion of new capital will be made available from life insurance for the financing of the country.

Total sales of new life insurance amount to about $55.6 billion in 1956 compared with $48.4 billion in 1955 and $45.4 billion in 1954. We expect a new record in 1957 of probably over $60 billion. Life insurance in force at the close of 1957 is estimated to be $450 billion which is three times the amount in force 12 years ago.

CARROL M. SHANKS

President, The Prudential Insurance Company of America

Total life insurance sales during the past year continued to forge ahead strongly, reaching new high levels. Ordinary sales exceeded the 1955 total by about 14%, while purchases of Group insurance rose 18% above the 1955 mark. In addition to raising their life insurance protection by a greater amount than ever before, American families also received more in life insurance benefits than in any previous year—about $5.8 billion.

Carrol M. Shanks

The outlook for the economy as a whole during the coming year indicates further substantial life insurance gains. Gross national product in 1957 should exceed $430 billion, and a rate of $440 billion before year-end is not improbable. Total output will be supported by a continued upward surge of as much as $5 billion in business expenditures on plant and equipment. Consumer spending is likely to rise by about $10 billion, and Federal, state, and local government expenditures will be up by $4-5 billion. Although the number of housing starts will fall slightly below this year's 1,100,000, expenditures on residential construction will probably come very close to equalling the 1956 total of $15.4 billion. The economy as a whole will be pressing the limit of current productive capacity.

General prosperity, a growing population, and higher family incomes will make 1957 another year of great opportunity for the life insurance industry. Total industry sales will undoubtedly establish a new high record, surpassing the performance of 1956 by a substantial margin. It is likely that life insurance in force per family will reach $8,000 by the close of 1957, compared to $6,900 at the 1955 year-end.

Although the outlook for general business and for the life insurance industry in 1957 is an encouraging one, I am nevertheless seriously concerned by current and prospective price trends. Total spending by all groups during the coming year is likely to increase by over $20 billion, but the increase in the labor force along with improved productivity will probably not permit an increase of more than $16 billion in real output. The upward pressure on prices will therefore continue.

The problem of inflation is the most serious economic threat facing us today. In the period 1946-53, the purchasing power of the U. S. dollar fell 26%. Although prices remained remarkably stable from 1953 to the middle of 1956, the upward trend has now been resumed with inflation having stolen another 2% from the buying power of our incomes during 1956.

In facing up to the problem of inflation we must realize that monetary and fiscal policy cannot do the job alone. It is of course essential that the Federal Reserve and the Treasury continue existing sound policies aimed at holding spending within our productive capacity. But we cannot throw the whole job on Gov-

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Ideal and Working Concepts Of Full Employment

or imagined benefits of farm price supports, standard wage laws, and whatever controls are entailed in (a) voluntary union membership; or (b) the strictures of union shop, closed shop, or hiring hall.

Similarly, can our profession supply either clear-cut criteria or compelling insights to guide our national choices between types of competition that tend to maximize productive employment and those that curtail it, or between private and public expressions of economic enterprise? The Employment Act challenges us to supply the policy-maker both with formal ideals and with workable *ad hoc* approximations covering these issues.

Important as is this three-dimensional area of policy choices—among freedoms, forms of competition, and channels of enterprise — to our promotion of sustained maximum production, still more baffling ambiguity and ambivalence confront us in the Act's qualification of the full employment goal by such phrases as "general welfare . . . needs and obligations (of the Federal Government) . . . and other considerations of national policy." Space does not permit even the outlining of the multifarious issues that are suggested by these broad phrases. But both economists and businessmen most often invoke them on one side or the other of the argument over fullness of employment *vis-a-vis* stability of the dollar.

As a mere verbal matter, resolving this inflation issue might seem easy and obvious: follow policies of freer private and public spending to stimulate employment up to but not beyond the point where further pressure raises the index of prices rather than the production index. But such a criterion becomes distressingly amorphous once we look at its terms more closely. As already noted, the actual fullness of employment is objectively indeterminate—a matter of opinion of the policy-maker, the interest-group spokesman, even the individual. Likewise the point at which price changes up and down in varying degrees become inflation with a capital "I" is indeterminate or relative to conflicting definitions of the term.

But even with both goal posts shrouded in fog, economists should have not great difficulty in deciding which team they are playing on. There has been a growing judgment in the economic thinking of our times—that is, times of postwar prosperity and persistent boom—that a steady inflationary creep should be the consciously chosen alternative to intermittent or marginal non-use of potential labor. It is argued that adequate growth of the economy cannot be attained except through the injection of "new money" each year. Proponents of such a view would keep this accelerator pedal pressed to the floor boards, reposing confidence in the brakes to hold in any emergency and trusting also that momentum will not carry the car off the road even when brakes are doing all that is physically possible. They expect the Congress to "fill 'er up" regularly and to reline the brakes whenever needed or install new ones of more powerful design — that is "controls." In the other camp are those who rate inflationary dangers as greater and offsetting controls as ultimately self-defeating.

To this issue we shall return later, but by way of partial summary here: to review the complicated and in many ways obscure language of the Employment Act's policy declaration in the light of 10 years' experimental interpretation is to make one thing clear. Even an ideal concept of full employment is not a simple matter of counting noses of an objectively determined labor force and statistically measuring an "unemployment gap" between this roster and some glorified "Help Wanted" column. And working concepts for the actual policy-maker involve assumptions or hunches about most if not all the major areas of economic theory. Some of the major issues to be encountered as we struggle for the best working programs in fast-changing situations can be most usefully envisaged in the context of short-run versus long-run concepts of full employment.

III

On the face of it, the time perspective of the Employment Act is short-run. The apparatus of an annual economic report and program submitted by the President, its review by the Joint Economic Committee, and the submittal of this committee's report to the Congress focusses attention on present alternatives and a model for the current year's legislative action and the parallel programming of private business. Of necessity, the measurements of unemployment which the President and the Joint Committee take over from the various statistical bureaus must take as "given" such things as the chraracter of the labor force, the state of the arts as this affects the functioning of labor in the productive process, and the whole institutional situation as it mediates incentives to work, contractual terms regulating the work-week and work-year, and many others.

But any adequate concept of the fullness of employment toward which we could wisely strive cannot, in a society such as ours, take those givens as given "for keeps." As vital factors in the problem, their endogenous evolution must be perennially studied and their exogenous determinants progressively shaped toward the attainment of that pattern of labor utilization most acceptable to an enlightened society of laboristic capitalism. In other words, the employment problem itself undergoes a perpetual recasting in the highly dynamic conditions of our technology, our market structures and practices, and our changing ideas of the optimum role of government.

The Economic Reports of the President and the voluminous documentation emanating from the Joint Economic Committee have, fortunately, reflected the economic thinking of our times, both professional and lay, in that they have not limited their concept of maximum production and maximum real purchasing power to such goals as these officials thought might be attained under the conditions presently obtaining. On the contrary, they have boldly reached forward to consider how those conditions might, over time, be so altered as to permit higher maxima for larger numbers of people. The first Chairmen of the Joint Economic Committee chided the President and the Council of Economic Advisers for including such "reform" proposals in the first Economic Report of the President. Subsequent reports, however, have given more rather than less emphasis to the long-run interpretation of the full-employment concept, and this tendency has been at least as marked in the work of the Joint Committee and its subcommittees.

Long-Run Consideration

Under pressure of time I shall mention only four of the problem areas that seem to me to be outstanding in the longer-term aspect of the full employment concept. The first of these relates to the distribution of the work load in a long-run maximum-production economy. There is no need in this audience to dwell on the sweeping changes that have already taken place during the growth of modern industrialism: (a) the increasingly fuller participation of women in the productive process. (b) the withdrawal of children and adolescents more and more from the burden of regular jobs to permit fuller physical maturing, mental growth, and highly specialized training of the most gifted for leadership posts in science, management, and the arts, (c) for adult males, the shortening of the work day, the lengthening of the week-end break, and an increase in the number of recognized holidays and in the prevalence and length of annual vacations. In terms of the distribution of the economy's work load, this means greater concentration on the middle-age brackets and greater freedom from work of the young and the old, but more even distribution within the middle brackets both between men and women and between rich and not rich—i.e. the virtual disappearance of an "idle rich" class.

An enlarged problem of the employment of the handicapped has grown out of the casualties of two world wars and Korea, a succession of polio epidemics, and the rising tide of automobile accidents. A tenable long-run full employment policy would certainly include an intention to use as many as possible of these fractional manpower motors. It would have also to contemplate employment opportunities on a stepped-down basis after technical retirement, and some revision of the utilization scale of the young to provide more intensive training of the really capable and less time wasted by and on the mediocre and inferior.

This brings us to our second long-run issue—the choice, private

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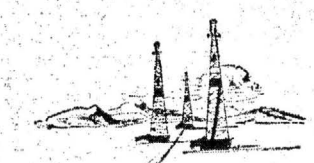
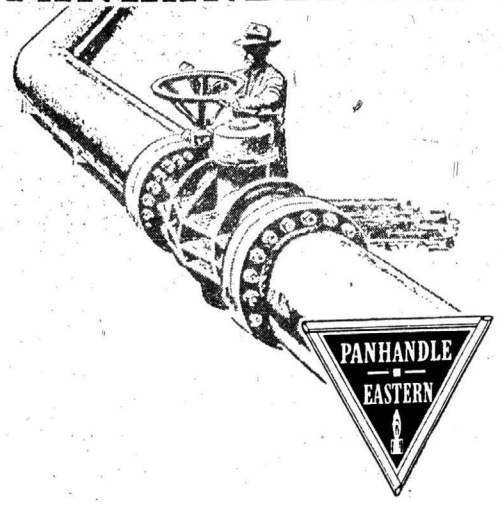


Producer, Long Distance Transporter and Supplier of Natural Gas, directly and indirectly, to an estimated population of over 13,000,000 and to industries in Texas, Oklahoma, Kansas, Missouri, Illinois, Indiana, Ohio, Michigan and the Province of Ontario

PANHANDLE EASTERN PIPE LINE



Informed investors know that one of the important characteristics of Panhandle Eastern is its ownership of substantial natural gas reserves.

The Company's current deep drilling program on its own leases has been highly successful, resulting in new discoveries which have materially increased the Company's owned reserves.

The key to a dependable, adequate supply of natural gas is the never-ending search for additional reserves . . . a search that calls for the courage to make enormous investments of new capital.

The Natural gas industry will continue to make these investments to locate new gas fields and to expand transmission capacity so long as there is adequate incentive to encourage natural gas companies to find, produce and transport this superior fuel.

PANHANDLE EASTERN PIPE LINE COMPANY

STATEMENT OF CONDITION

The Dollar Savings and Trust Company

YOUNGSTOWN, OHIO

At the Close of Business December 31, 1956

ASSETS

Cash and Due from Banks	$ 18,875,625.37
Overdrafts	270.04
U. S. Government Securities	48,561,592.84
Other Bonds and Investments	3,044,398.87
Loans and Discounts	38,145,355.52
Banking Houses	960,000.00
Furniture and Fixtures	207,297.81
Accrued Interest Receivable on Bonds	155,523.78
Other Assets	281,766.80
TOTAL ASSETS	$110,231,831.03

LIABILITIES

Capital (31,250 shares)	$ 1,250,000.00
Surplus	3,250,000.00
Undivided Profits	1,135,849.30
Reserves	50,000.00
Accruals for Taxes, Interest and Insurance	675,498.75
Special U. S. Government Deposits	1,263,403.99
Other Demand Deposits	57,112,621.80
Time Deposits	45,035,034.97
Other Liabilities	459,422.22
TOTAL LIABILITIES	$110,231,831.03

Loans and Discounts are shown net after deducting reserves of $1,519,418.33

U. S. Government Securities are shown net after deducting reserves of 237,990.00

The DOLLAR SAVINGS and TRUST COMPANY

YOUNGSTOWN, OHIO

MAIN OFFICE
CENTRAL SQUARE

Branch Offices:
Uptown Office
South Side Office
West Side Office
North Side Office

Branch Offices:
East Side Office
Hubbard Office
Campbell Office
Struthers Office

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

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ernment. Business leaders and labor leaders must recognize that they share with Government the responsibility for the proper functioning of our economic system, including responsibility for the preservation of a sound dollar. Wage and profit demands far in excess of improvements in productivity not only violate decent standards of fairness and justice but evidence an unwillingness to measure up to the responsibilities inherent in the free enterprise system.

Most important of all in the fight against inflation, we must take positive steps to increase the rate of saving in this country. The demand for funds to finance needed highways, schools, homes, factories, and other capital equipment is far outstripping the supply of savings, and there is every indication that the demand will remain strong for years to come. Unless savings are stepped up to meet this demand the inevitable result will be more and more inflation. Our success in maintaining a sound and prosperous economy in the years ahead depends importantly on how well we are able to meet this serious inflation threat.

LESTER M. SEARS

Chairman of the Board, Towmotor Corporation

Just so long as the cost of moving materials from one point to another in manufacturing operations continues to represent from 20 to 90% of the cost of the finished product, there will be room for improvements in materials handling equipment and methods — and plenty of incentive to make them.

Lester M. Sears

Fork lift trucks, especially, have been of major assistance in cutting industry's moving and storing costs.

Recent technical developments in the vehicle itself, and in many of its accessories for handling particular products, have further broadened the application of this type of equipment to otherwise difficult and costly materials handling operations.

The introduction of the hydrostatic drive, for example, which we at Towmotor will soon be installing in several of our fork lift truck models, will not only do away with friction clutches, but will markedly simplify the application of tractive power.

Other technical advances in prospect or already realized include improved braking performance; changes in steering, powered for an increased number of our models, to provide easier handling of loads and greater maneuverability in narrow aisles; an increase in lifting and lowering speeds; and improved stability in lifting, lowering and turning operations.

There have also been further refinements in both gasoline and LP engines, involving higher compression ratios and horsepower, and in their application to fork lift trucks to produce smoother performance regardless of load or grade.

Greater attention, too, is being given to developing basic models of lift trucks which can be readily equipped with accessories designed to satisfy the special handling requirements of customers.

HOWARD E. SIMPSON

President, The Baltimore and Ohio Railroad Co.

The year 1956 was one of achievement and progress for the Baltimore and Ohio. Traffic on our railroad, reflecting the broad general prosperity of the nation and despite a work stoppage in the steel industry last summer, continued at a high level. The movement of coal, import ore and export grain offered special encouragement.

H. E. Simpson

Production of coal fields served by our company was 15.2% higher than in 1955, almost double the increase in production nationally. Import ore tonnages handled by the company's facilities at Baltimore were greater than at any time since the facilities went into service in May of 1951.

Our freight revenue potential has been increased by the location on our lines, during 1956, of more than 150 new industries, and the expansion of at least 39 existing plants and installations. These industries represent an investment in plant and equipment of more than $202 million. Under construction are other new plants and expansions which will ultimately represent an investment of another $837 million, which will further add to the company's revenue potential.

To accommodate this increasing flow of traffic, more than 2,700 freight cars of various types were built or purchased during 1956. Another 1,000 cars have been ordered and we are building still another 1,500 in our own shops. Many of these cars have already joined our fleet, in addition to the 2,700 mentioned above.

In addition to new construction, the Baltimore and Ohio sharply accelerated the extensive car-repair program instituted last year.

Already approximately 85% dieselized, the Baltimore and Ohio added 99 new diesel locomotives to its power pool last year, and has ordered 93 for delivery during the current year.

Nineteen fifty-six also saw a considerable expansion of the railroad's trailer-on-flat-car service, and in the passenger field, the addition of two new trains of self-propelled cars, the "Daylight Speedliners." The "Daylight Speedliners" represent the first adaptation of individually-powered rail cars to fast, through train operation with meal service. The trains run daily between Philadelphia, Baltimore, Washington and Pittsburgh and since their inauguration have attracted additional patronage and much favorable comment.

Perhaps the most important property improvement project initiated during last year was a $13,500,000 program of yard modernization at Cumberland, Md., which, when completed, will make the B. & O. facilities there among the most modern in the world. Other 1956 improvements included installation of additional diesel repair facilities at Chillicothe, Ohio; the reconstruction of 15 bridges; and installation of remote control signals and switches at various points. We will also construct an ultra-modern fruit pier at our Locust Point terminal in Baltimore. Among other contracts let was one for construction of a single-track bridge across Arthur Kill, S. I., New York. This bridge will, when completed, incorporate the longest single-track lift span in the world.

Looking to the future, the forecast for huge increases in the demand for coal is an important item, as coal forms about 45% of the total tonnage hauled by the B. & O.

For the first half of 1957, we expect our business to be about the same as the similar period in 1956, but in the second half we expect a larger volume, principally because of the steel strike in that period last year. For the entire year 1957 we estimate our traffic should be about 2% higher than 1956. Additional diesel locomotives will be added to our fleet during the year as well as additional freight cars.

LEWIS A. SHEA

President, The Connecticut National Bank, Bridgeport, Conn.

The immediate outlook for the maintenance of a high economy is overshadowed by a dilemma, barring the possibility of war. The buying power of the country must be supported by top employment. It was hoped that this would be done by the maintenance of continued home building; the building of roads, hospitals and schools by subdivision and increase, and modernization of plants and factories with modern machinery and facilities to house them.

Lewis A. Shea

Our monetary authorities are now faced with preventing the ultimate disaster of inflation, or the correction thereof, by holding and increasing the value of the dollar. To do this we have the so-called tight money market.

Mortgage money to build homes and factories is in short supply. Time loans for the purchase of machinery is available only at high interest rates and for much shorter terms, and the securities of the states, cities and towns have found the buyer uninterested.

Money must come from somewhere to do the things necessary to maintain employment, otherwise a recession is not only possible but probable.

ROBERT F. SIX

President, Continental Air Lines

In 1957, the scheduled domestic airlines should surpass the record growth of last year. There is no doubt, even among the more conservative members of this dynamic industry that traffic and revenues will more than equal those of 1956. The only question: by how much will 1957 exceed the past boom year?

Robert F. Six

Cautious forecasts call for some 24.3 billion revenue passenger-miles in 1957, compared with approximately 22.5 billion for 1956. They predict a continuation of the climb to 29 billion revenue passenger-miles in 1960 and, five years later, a further increase to 35.5 billion.

In Continental Air Lines, we believe the air transport industry will better these predictions. For 1957, we expect a combined total of approximately 24.9 billion revenue passenger-miles. Our projections call for 32 billion revenue passenger-miles by 1960 and an increase to 40 billion by 1965.

If the industry meets our expectations, its volume of revenue traffic in 1965 will have more than doubled in the 10 years since 1955.

This record advance will result from progressive planning that has allowed the scheduled airlines of this country to grow more rapidly than any other transportation system in our history. The planning includes faster, larger aircraft; new facilities, and long-range efforts to expand the mass air travel market.

An example of the industry's sound planning for progress and growth is Continental's own $62-million expansion program.

In the spring of 1957, we will extend our system in two of America's major travel markets: Chicago and Los Angeles. The new route—also covering Denver and Kansas City—will extend Continental's network over roughly two-thirds of the United States.

The number one requirement for tomorrow's new routes —fast, large airliners—was yesterday's project in CAL's planning. We believe our equipment program was one of the most complete and dynamic to be undertaken by an airline. It will offer Continental's passengers three new types of aircraft in the 1957-59 period.

The first of five new Douglas DC-7Bs will be delivered in time for the inauguration of Los Angeles-Denver-Kansas City-Chicago service in April. These new planes will be CAL's last purchase of aircraft powered by reciprocating engines.

Continental will enter the jet era in the spring of 1958, when deliveries of 15 prop-jet Viscount 810Ds are started. We will put these 400-mile an hour planes on our Chicago-Los Angeles schedules by May of 1958, becoming the first airline to offer prop-jet service west of the Mississippi.

In 1959, Continental will enter the turbo-jet age with our fleet of four Boeing 707s. With a cruising speed of 575 miles an hour, CAL's new jets will carry 118 first-class passengers between Los Angeles and Chicago in 3 hours and 22 minutes. On the Los Angeles-Denver route, flight time will be an hour and 48 minutes. Between Los Angeles and Kansas City, the 707's en route time will be 2 hours and 46 minutes.

Continental will be the first to operate jet transports on these routes, putting CAL months ahead of any other air carrier.

In addition to the planes on order, Continental recently added three new Super 440 Convair Liners. The Convairs increased our fleet to 34 planes.

Continental also is expanding its ground facilities, with a $2.5-million jet overhaul and maintenance base now under construction at Los Angeles International Airport. The base will be the first commercial turbine engine facility on the West Coast. At its Denver headquarters, CAL has purchased new buildings as part of the expansion program.

The progress made by Continental is typical of the country's air transport industry, which has brought the United States to its present world leadership. In view of the industry's past performance and future planning, we're bullish about 1957 and each succeeding year.

L. D. SILBERSTEIN

Chairman and President, Penn-Texas Corp.

Everything that I can see on the business horizon reaffirms my frequently expressed confidence in the present industrial boom. I, therefore, repeat my bullish prognostications of the past four years—that our nation is expanding its production and business on a solid foundation.

L. D. Silberstein

The attempt of the government to dampen the present phase of this long-term boom, while constructive in itself, has utterly failed to eliminate the enthusiasm of our industrial leaders. Ours is a truly healthy economy. Since Penn-Texas Corp. serves many different areas of American industry, we are especially sensitive to the broad planning of business generally. Our various division executives advise me that all indications are that industry as a whole is getting squared away for a highly prosperous 1957.

I personally believe that the few soft spots that developed last year such as housing and the automobile industry will show marked resurgence in the coming year.

We at Penn-Texas are particularly optimistic about the nuclear energy field. We are convinced that this holds promise of the greatest era of prosperity that our nation and the world has even known. And it is rushing upon us. Penn-Texas has already entered the nuclear energy field on a broad basis, and expects to be in the forefront of the general adoption of nuclear power by American business.

JAMES M. SKINNER, JR.

President, Philco Corporation

We have full confidence in the economic strength of the country and continued prosperity through 1957. While the appliance and television business will continue at good levels, the competitive conditions which marked most of 1956 and which resulted in price-cutting throughout the industry, probably will extend into the first quarter of 1957.

J. M. Skinner, Jr.

Production and sales of television receivers should level off in 1957 at about the seven million mark reached in 1956. Unit production will remain high due to increasing popularity of portable television receivers and the trend toward second sets in the home. However, the big volume of sales will be in lower priced receivers on which there is a smaller margin of profit.

We believe that sales of color television receivers will continue to rise in 1957. The coming of color television will be evolutionary—not revolutionary. The public wants technical improvements in receivers, greater fidelity in broadcasting, and more color programs before it will purchase color television sets in large volume. Much work remains to be done in these areas.

The largest gains in 1957 will be made in the fields of military and industrial electronics. This phase of the

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Ideal and Working Concepts Of Full Employment

and public, between work and leisure in a free society. If the economy were organized on a basis of self-employment, the individual could decide—by whim or by thoughtful calculus—when he would work and when he would knock off for either rest or recreation. He still is free to decide when he will seek work or quit his job. But the concept of optimum employment that we are evolving in our highly organized industrial society is formulated to an important extent through the institutions of unionism and the controls and the competitive practices of corporate and other employers. It is shaped also by the legislative and administrative actions of government, notably social security provisions.

The economist's tools offer little to the individual in resolving his choices of alternatives between his kind of work and his kind of leisure. They offer rather more to the policy-making officials or committees of labor unions in evaluating the consequences of their group decisions in specific cases or the general pattern of organized labor's wage-and-hours philosophy, collective bargaining strategy, and political pressures. But primarily the economist's analyses are pertinent to the issue of what division between work and leisure will maximize the economy's production of ultimate satisfaction for the total population — in other words, the best public policy as to work *vs* leisure.

How Much Leisure and Work?

In this broad area of labor-management negotiation and government legislation, two issues are sharply defined as today looks forward toward tomorrow's employment goals. (1) Is our objective the filling of a quota of 2,000-hour jobs (that is, 8 hours times 5 days times 50 weeks), or shall we be satisfied with a full roster of workers for only six or seven hours a day or perhaps a work week of four days? The unions are increasingly lining up for a campaign for the shorter work week and still longer vacations. (2) A second issue as between work and leisure concerns age at retirement. Shall we, through social security rules and otherwise, set the end of the period for which employment is to be kept full at 62 years or 60 years or even 55? This brings us back to the discrepancy between "maximum employment" as mere number of jobs and "maximum production" as total volume of consumer satisfactions. A sound long-run concept of optimum fullness of employment demands careful and continuous study of the functional relationship between work and leisure over the whole lifetime of worker-consumers under changing conditions of technology and of longevity. Only two practical aspects of this complicated issue can be mentioned here.

The first is that leisure is not simply non-work but is, to a considerable extent alternative activity. This both adds to the supply of consumer goods and creates demand for production of goods and services for the commercial market. In a rich and highly productive society, many business enterprises are directed to supplying goods or services desired not for subsistence needs or refinements but for the filling or killing of leisure time. To paraphrase the old adage "one man's meat is another man's poison," we may say that some workers' leisure is other workers' livelihood. This is conspicuously illustrated in our flourishing amusement industries and in "tourism."

But what may not be so well recognized is that expanded leisure leads to the growth of a great area of social productivity outside the statistically recorded market area. With the growth of the factory system, a great deal of direct want satisfaction moved out of the family circle into the ambit of the market. Now a more leisured working population is enlarging the social product far beyond what the commercial figures show—in a vast "do-it-yourself-movement." However, much of home-improvement or life enrichment is thereby produced, it eludes the computer of our GNP. As between employment and leisure, the progress of technology, the processes of collective bargains and of legislative standard-making keep nudging both employer and employee toward employment patterns that are both workable and acceptable (within the personal adjustments made through supplementary jobs, part-time work, and do-it-yourself activities).

A second complication in working out a long-run criterion of choice between work and leisure in our employment policies derives from the conflict between the group interest and the general interest. This is conspicuous in the drives for the shortening of the work week, the work year, and the working lifetime already referred to. It is not altogether clear what use the unions expect their members to make of added leisure or what values they attach to such uses. Neither is it very clear where management calculates that the benefits and burdens will fall if they compensate for, or themselves induce, this shortening by automation or other labor-saving devices.

But that consequences to the group and to the economy or society are widely disparate is evident.[7] Even viewing ours as a laboristic economy, it should be clear or even axiomatic that the plane of living for workers and their dependents as a whole cannot be raised as high in the long run, and under whatever technological condition emerges, with a shorter work year and working lifetime as it could with a longer work-input period. The heaviest impact of the loss would, I believe, fall on those now in the lowest consumer levels of our population—and on backward nations whose advance we might aid most strongly and most comfortably in proportion as our own production was really maximized.

Trickle Up and Down Theories

A third broad aspect of a long-run full employment concept can be no more than mentioned here. If full employment means maximum production and maximum real consumer purchasing power overtime, it obviously implies continuous physical and mental improvement of the labor force and its progressively better equipment and organization so as to develop its full productive potential. Here again we encounter conflict between the economist's non-partisan concern for maximum production by the economy and the acquisitive class interest of corporate employers and unionized workers.

Unions have gone a long way toward recognizing the self-defeating character in the long run of restrictionist practices with reference to such things as apprenticeship, labor stints, and the introduction of machines and, today, automation. Employers as well as unions support programs for better education and training of the labor force. Employers also make a rather sophisticated argument as to the equipment phase of labor productivity, that every step toward scientific management and technological improvement contributes *pro tanto* to the welfare of the economy.

Economists sometimes respond that this is not necessarily so if the rate of capital intensification is not neatly timed to the rate of labor reabsorption — that is, if labor saving results in labor wasting.[8] This issue has been aired repeatedly in hearings of the Joint Economic Committee as a debate between advocates of a "trickle down" theory of maximum employment and production and those who adhere to a "trickle-up" theory. We may be sure the argument will continue, since it cannot be unanimously resolved either by dictum or by proof. It involves informed choices between degrees of complementary desiderata in concrete situations that are in constant flux.

Much the same may be said of the fourth of our long-run interpretations of the full employment concept—the choice of fuller employment at the cost of a higher price index or a cheaper dollar. The matter has already been alluded to as a dilemma dimly envisaged in the policy declaration of the Employment Act as it juxtaposes full employment against "other needs and obligations." But it is, in my analysis, in fact the paramount issue or the comprehensive policy decision in which all segmental issues (ex non-economic value judgments) must be comprehended. For "the economy" is an infinitely complex system of pecuniary relationships of costs, prices, incomes, spendings, savings, investments, and taxes, which both express and condition a physical process of making goods and rendering consumer services. The elusive and controversial terms inflation, stability, and deflation are the semantic symbols by which we seek to objectify the optimum condition of that process which national policy and program should promote and the dual dangers that it should strive to avoid. If, as I have argued, ideally full employment would be such as promotes continuous maximization of production and real purchasing power for the people, it cannot be attained in the face of any disturbance in the monetary mechanism that would be harmful to business activity and general spending and saving for capital formation.

Those who ignore or belittle inflation threats and who champion an extremely high employment goal at all times seem to me to deny the practical necessity of appreciable frictional or transitional unemployment which they themselves formally accept as a premise of business life in a highly dynamic industrial society. Underemployment on farms during the current basic readjustment of the industry, unemployment among highly immobile coal miner groups, and substantial idleness of automobile workers while some egregiously bad mistakes of management are being corrected afford cases in point, but of the second order of magnitude.

It is in the longer and wider swings from boom to equilibrating correction that the major and really fundamental issue lies. It demands realistic recognition of a state of over-employment at the crest of an investment cycle that scrapes the bottom of the manpower barrel and stretches credit beyond the safe support of individual and institutional saving. It demands recognition of the inevitability of some increase in the volume of unemployment during the offsetting period of slower plant expansion and durable goods accumulation—a transition less severe in proportion as over-investment and over-employment are avoided in the boom period. It is when we dream of economic perpetual motion and the miraculous elimination of these frictions rather than patient lubrication of the transitions that we invite inflation or the impairment of the monetary mechanism whose smooth and dependable operation is a *sine qua non* of maximum long-range production or economic progress in a free-choice economy.

Remaining Degree of Decentralization

It is not enough for the advocates of "high-pressure economics" to argue that inflation can be kept in check by the use of general or spot controls. That is simply to declare a value judgment in favor of maximizing the number of jobs or the rate of economic expansion even at the cost of less freedom of economic choice by individuals or organized groups. Our freedom of individual choice has already been eroded at many points through concentration in the hands of policy-making officials of national bargaining unions and top executives of administered-price corporations. It becomes all the more important that the degree of decentralization still remaining shall not be swallowed up in monolithic decisions of government control agencies. It behooves these proponents of high pressure economics, therefore, to abstain from such ambitious definitions of full employment or of business expansion as will engender a degree of inflation that will call for the imposition of controls on prices, wages, or investments.

Rejects Stable and Creeping Price Prescriptions

Since the baleful effects of inflation and the insidious nature of its onset have been so amply demonstrated in a variety of circumstances and places in the past, and since the effective strength of the available arresters or correctors has never been really tested under strain, I cannot accept inflation as a way of life for the long run even though emergency measures of an inflationary character can

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[8] See *Price-Making in A Democracy*, Chap. IX.

[7] For instance, under the pension provisions of some union contracts (and still more under prospective guarantees of an annual wage), it is to the advantage of the employer, when demand is brisk, to operate on an overtime basis rather than take more men on the payroll. This tends to create a very refractory unemployment situation for the more marginal workers—untouchable by the stimulative effect of an increase in aggregate demand.

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industry's business accounted for almost $3 billion in sales during 1956. It may be expected to increase by more than 10% in 1957. Production of transistors, computers and industrial television will lead the field.

Philco expects an increase in the dollar volume of its home appliance sales. In November, 1956, Philco acquired the Bendix home laundry equipment business and in 1957 will be the largest independent company in the appliance industry. While sales of refrigerators, home freezers and electric ranges should continue at good levels, substantial increases are expected in washers, dryers and room air conditioners.

Creative selling and merchandising will be necessary if the appliance industry is to capture a large share of the consumer's dollar. With industry turning out more and more products, greater emphasis must be placed on new designs and unique features to create demand. This trend will be apparent throughout the appliance industry during 1957.

C. R. SMITH

President, American Airlines, Inc.

The year 1956 was good for the airlines; it provided a substantial increase in total traffic and a reasonable profit for most of the carriers in the industry.

Good business conditions are expected to continue during 1957 and that should bring an additional increase in air traffic volume.

C. R. Smith

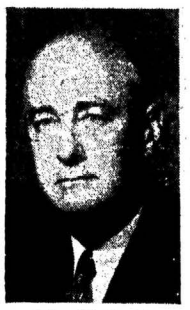
Profit margins are narrow and costs of goods and services purchased continue to rise. Many in the industry believe that there must soon be a reasonable increase in airline fares, to partially compensate for the higher costs of aircraft, salaries and services, materiel, and interest rates. But even with a modest increase in airline fares the price of air transportation will remain on a relative "bargain" basis, for average fares (average of first class and coach) have risen only 5% in the past 15 years and during the past five years there has actually been a reduction in average fare.

New model aircraft, in great number, will be added to the industry fleet during 1959 and 1960. The total of industry orders for new aircraft, including turbo-prop and turbo-jet planes, now amounts to about two billion dollars. Financing will take the form of both additional equity financing and sale of long-term debt. Part of this has already been arranged but some of the companies have not yet completed their financing program. Tighter money and higher interest rates will bring some difficulties, but if the regulatory agency will permit reasonable fares and earnings the necessary financing should be possible.

JOHN W. SMITH

President, Seaboard Air Line Railroad Company

There are many factors contributing today to the steadily growing economic strength of the Southeastern section of the country which indicate that this region will continue the impressive advance it has made in recent years. Business activity in the region is steadily becoming more diversified and new production facilities are being added not only for supplying demands outside of the area but also to meet the rapidly growing requirements of the Southeastern market for all types of goods and services. Higher per capita income and an increased population in the states served by the Seaboard —Virginia, the Carolinas, Georgia, Florida and Alabama — have been responsible for the creation of numerous new business enterprises, all of which have been added to the economic upsurge taking place in this section. Industrial development maintained a gratifying pace in 1956 and during that year more than 160 new industries were located along Seaboard rails. At the same time there were a number of sizable expansions made by already existing industries, with a resultant increase in the territory's output of manufactured goods.



John W. Smith

One of the most impressive evidences of the Southeast's growth in heavy production is the record of paper and paperboard mills in the last few years. In 1941, the total production in the states served by the Seaboard was 7,400 tons daily; by 1951, this figure had risen to 16,000 tons daily, and in 1956 it was running at the rate of approximately 22,000 tons daily. Expansions and new plants planned for the area in 1957 and later will further increase this total considerably.

Another bright spot in the future outlook for the Southeast is found in the research programs which are under way in the region. From these new and enlarged laboratories will come fresh knowledge of how the vast natural resources of the area may be still better employed for the development and expansion of the Southeastern economy.

Having a deep confidence in the future prospects for this section, the Seaboard in 1956 took additional steps to prepare for the increased service demands which it anticipates as a result of the continued economic growth of its territory. During the year orders were placed for 2,400 new freight cars, costing about $20,000,000 and representing the largest single purchase of freight cars in the company's history. These cars, along with 1,000 others already on order at the beginning of the year, will be delivered in 1957. Seaboard's motive power was also increased by the receipt of 25 new diesel freight locomotives toward the end of 1956.

While the developments which have taken place in the Southeast in recent years may well be described as spectacular, there is nothing in the picture today to indicate that the promise of the years ahead is any less bright. A vigorous region, increasingly conscious of the power and potentials it possesses, the Southeast looks forward confidently to a future of still greater growth and economic activity.

RICHARD G. SMITH

President, Natomas Co.

With

inflation

still in

the making,

gold mining goes

further in the

doldrums.

R. H. SMITH

President, Norfolk and Western Railway Company

We are optimistic about the outlook for 1957. The improvement in general business conditions that started in 1955 has continued steadily through 1956 and we believe the trend will continue during 1957. To an important extent the volume of Norfolk and Western's freight business, from which comes 95% of its gross revenues, is dependent upon the coal industry. This industry has come back sharply from its low level of 1954 and is approaching the peaks of 1947-48. The electric power generating and the steel industries, most important users of coal, are operating at all-time high levels, with further expansion projected for the near future.

R. H. Smith

Exports of coal are moving in record volume, with every indication that they will continue and possibly increase. The sharp revival in industrial activity in Western Europe has created greater demands for fuels and the inadequacy of that region's coal production capacity, plus the uncertainty of oil supplies from the Near East, have substantially boosted the demands for American coal.

Increasing industrialization in our own territory, particularly in the heavy industrial chemistry industry, is increasing the volume of our freight traffic other than coal.

To meet this situation, we have made during 1956 substantial additions to our freight car equipment, most particularly coal cars which are now at an all-time peak of capacity. Further substantial additions are scheduled for 1957.

A general feeling of optimism over the business outlook prevails in our territory.

W. CORDES SNYDER, JR.

President, Blaw-Knox Co.

The steel industry has begun its most creative era of development and growth, and one which from all indication, should extend many years.

Predictions by the steel industry that its capacity will be expanded at least 30 million tons during the next 10 years indicates a very active rolling mill and equipment building program in the next several years.

W. C. Snyder, Jr.

The emphasis at present is on additional ingot tonnage, which requires new blooming and slabbing mill facilities, together with additional plate and structural mills to meet the increasing demand for these finished products. Within five years there should be capacity for these steel products in new regions, as well as expansion in the established producing areas.

Interest also continues in new and improved rolling facilities for bars, rods, merchant shapes, tubing, sheets and other steel products. Although the surge in strip or sheet steel growth has subsided temporarily, the industry is establishing the use of more and more special cold mills to permit the "tailored" finishing of strip items.

New horizons for stainless and specialty steel requirements have been opened up by the advance in speeds of aviation and missiles involving very high frictional temperatures. Metals formerly used in aircraft construction apparently cannot withstand the "thermal barrier" and this gives stainless and other alloy steels a new opportunity for growth.

In light of our company's background in providing chemical engineering services to a wide range of process industries, we anticipate that Blaw-Knox also will benefit from growth in steel plant use of chemical processes. Steel now has opportunity to establish a more profitable position in chemicals through the upgrading of its by-products made possible by modern chemical processing.

Blaw-Knox now is completing an installation in a western steel plant to recover hydrogen from coke oven gas as a starting point in the making of ammonia and other chemical products. The use of oxygen in steel making by means of the lance process should have rapid growth, since it has been demonstrated to permit a financial shortcut to expanded open hearth capacity.

A pilot plant at Niles, Ohio, financed by seven steel companies and Blaw-Knox, is now proving up another application of chemical processing in steel industry operations. The new facility employs the Blaw-Knox Ruthner process to salvage and regenerate waste pickle liquor.

These are a few examples which indicate the new chemical orientation of steel plant operation. Together with other developments, they will tend to extend the steel industry's growth along profitable lines and help to stretch its much-needed capital dollars.

ROBERT S. SOLINSKY

President, National Can Corporation

The outlook for the can industry appears clear and optimistic for 1957. General business conditions are forecast as extremely favorable for this prognosis can mean a rising sales volume for the can company with an alert and aggressive management.

Robert S. Solinsky

The consumption of cans continues to rise significantly faster than the growth of the population. This statistic merely authenticates what we in the can industry already know—that more and more products are being packaged in cans, and that the general consumer is showing a preference for can-packaged goods over any other type of container.

This latter factor—consumer preference for goods in cans—has been immensely important to the almost miraculous growth of the can industry over the last half century. Manufacturers of goods have found that the can is not only economically superior as a container, but also that it contributes greatly to the merchandising of the product.

Cans are, of course, economically superior because they can be filled, closed, pasteurized, frozen or processed, and packaged, at high speed and low cost. But of equal importance is the fact that the container can be labeled attractively and multi-packed so conveniently. Attractive labeling leads to impulse sales and multi-packaging increases the "take-home" appeal. A packaging process which keeps costs low and which aids in the sales of the product it contains—and cans provide both of these "extra" services—can logically be optimistic about the future.

During the past year, we in the can industry have watched the growing trend in the carbonated beverage field to package its product in cans. We believe it will someday be a significant phase of our over-all operations. Now, we are able to report another significant trend—the can-packaging of non-food products, such as detergents. We believe these two burgeoning trends will continue to rise.

It is apparent to me, looking into 1957, that the can industry will continue its rapid expansion. Based on prophesied good general business conditions, the increasing popularity of can-packaged products, and the continuing introduction of new products to be packaged in cans, I can see even more favorable business conditions for the industry in 1957.

REUBEN E. SOMMER

President and General Manager, Keystone Steel & Wire Company

While sales, employment and plant expansion have reached record levels in 1956, profits per dollar of sales declined. This was due principally to increases in raw material cost, particularly steel scrap which has more than doubled in price during the past two years. Also, the increase in our selling prices which was instituted in July did not fully offset the last industry-wide round of wage and salary increases.

R. E. Sommer

Continuation of an expansion program at Keystone's plant begun shortly after World War II saw the completion of a billet mill addition during the past year, as well as expansion and improvements in the company's power plant, wire and steel mills. This expansion program at Keystone is not limted to its Peoria plant. A Keystone subsidiary, the National Lock Company at Rockford, Ill., began construction of a $5-million threaded fastener plant, the largest of its kind in the world. Additions have also been made to plants of two other subsidiaries, Mid-States Steel & Wire Company of Crawfordsville, Ind., and Wire Specialties Company at Santa Clara, Calif.

While it is not possible for any individual or group of individuals to foresee what condtions will be through-

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Ideal and Working Concepts Of Full Employment

be used both prudently and safely in the short run.[9] Equally eschewing doctrinaire full employment at whatever cost and an ever-balanced budget at whatever cost, we should make intensivity of labor utilization a contingent factor within our total technique of so administering our free economy as to move it consistently and persistently, even if not at an absolutely steady pace, toward maximum real income for the whole people.

I am quite aware that many will not go as far as I do in refusing to accept price inflation or even price level stability as the only solutions theoretically possible to the problem of full employment and economic growth. But there is nothing in the mechanics of a truly competitive market economy that precludes maximum production and vigorous growth with diverse movements of individual prices adding up to a price level having a moderate but persistent downward slope in a society of high scientific and managerial attainments. This would constitute an exemplification of Say's Law—modernized—that is, operating under astute large-unit administration rather than small-scale automaticity. Turning from mechanics to psychology, I would concede the point to those who maintain that businessmen in their present environment cannot or will not operate on such broad policies of social benefit and that labor leaders must exploit group strength and strategic position aggressively if they are to survive in policy-making posts.[10]

But in the long-run context in which I am here speaking, the acceptance of an anti-inflationary or constructively deflationary policy would require no more revolutionary change in the mores of business (including labor) administration and in our business institutions than today's policies and practices mark in contrast with those of the 1880's. Though there would be less proximate gain from technological and organizational innovations accruing to those capitalist or labor groups who happened to be most strategically placed or most aggressive, the translating of productivity gains predominantly into lower prices would so maximize real purchasing power en masse as to maximize employment on a maintainable operational basis of free competitive "big business" enterprise. A better alternative than complacent inflation backstopped by standby controls is the self-discipline of groups under increasingly sophisticated leadership seeking to advance their group interest through promotion of a self-sustaining price-income structure competitively shaped to maximizing employment because it maximizes consumption. Toward such a goal the Employment Act, with its socially oriented intellectural apparatus, will, I believe, mark an important milestone.

* * *

Summary

By way of brief summary, I offer three general propositions:

(1) Today's economic thinking about employment policy shows substantial movement away from such simple quantifications of the early 1940's as "60 million jobs" or an unemployment gap in explicit numerical terms or as a sanctified percentage. Substitution of the concept "economic growth" moves in the right direction, but to specify that growth must be by annual increments of, say, $20 billion in GNP or that "no previous year is good enough" is no more tenable than the earlier formulas "more jobs than unemployed men" or "jobs for all the people all the time."

(2) Combining long-run ideals with short-run working programs places emphasis on qualitative analysis of the intensivity of labor utilization as one facet of a complex objective of sustained economic progress in which choices, priorities, and proportions must be carefully evaluated in their time perspective, seeking self-sustaining patterns of economic growth with only moderate changes of pace and with minimum resort to emergency interventions.

(3) The sharpest issues of official and individual choice lie between consumer satisfactions (over-all or by groups) (a) *vis-a-vis* freedom of action, (b) *vis-a-vis* leisure and its distribution and use, and (c) *vis-a-vis* stability of the monetary unit. *Vis-a-vis* rather than *versus* because the choices are not mutually exclusive but among various combining proportions under a rule of reason. In our free society of rising economic sophistication, what is a reasonable application of any of the several criteria is decided in considerable degree under the guidance of technical experts on the professional staffs in the administrative offices of business, labor, academic, and governmental agencies. It is inevitable that the practical judgments of even the best-trained economists shall be strongly suffused with subjective value judgments. If their professional training has been sufficiently broad, these value judgments will not derive from personal prejudice and naivete as to the adjacent areas of social science, but from some perceptiveness as to issues in these fields and collaboration with professionals in the sister disciplines. Fortunately, the years through which we are now passing give us an opportunity never before equalled for what are approximately the laboratory conditions needed for the deriving of scientific principles.

9 Alongside Jacob Viner's deprecation of "full employment at whatever cost" (QJE, August 1950) we may place the comment of Arthur Burns, made after he had for several years wrestled with the practical problems of interpreting the Employment Act: "In a high level economy such as ours, it is but a narrow road that separates recession from inflation . . . If we are to advance firmly on that road, the Federal Government . . . alert to changing conditions must pursue monetary, fiscal, and housekeeping policies with skill and circumspection [to the end of balancing] reasonable fullness of employment with reasonable stability of prices." (Address before the Chamber of Commerce of the State of New York, New York City, Oct. 6, 1955.)

10 But even Mr. Reuther of the aggressive and strategically placed automobile workers has recognized the self-defeating character of the inflationary process of wage-price "leapfrogging" when he laments that hard-won wage increases are "paid in wooden nickels."

Continental Copper & Steel Industries Offer Underwritten

Continental Copper & Steel Industries, Inc. is offering to holders of its common stock rights to subscribe for 170,297 additional shares of common, at a subscription price of $11.50 per share, on the basis of one additional share for each ten shares held of record Jan. 10, 1957. Subscription rights will expire at 3:30 p.m. (EST) on Jan. 28, 1957.

The offering is being underwritten by an investment banking syndicate managed by Allen & Company.

Net proceeds from the sale of the additional common shares will initially be added to the working capital of the company. It is expected that these net proceeds, together with other funds, will be used to meet cash requirements for proposed additions and improvements of the company's facilities.

Continental Copper & Steel Industries, Inc, is engaged primarily in the manufacture and sale of a diversified line of metal products. Among its principal products are insulated copper wire and cable; plastic covered wire and fine flexible wire; carbon, alloy and high-speed tool steel and forgings; wire screen cloth; high quality nonferrous alloys; life boats and life saving equipment; welded and riveted stainless steel, monel and other alloy metal equipment; welded and riveted steel products, and earth-moving equipment.

For the year ended June 30, 1956, the company and its subsidiaries had consolidated net sales of $73,332,215 and consolidated net income of $4,011,038.

Associated with Allen & Company in the underwriting are: P. W. Brooks & Co. Inc.; Bernard Aronson & Co.; Auchincloss, Parker & Redpath; Goodbody & Co., and Abraham & Co.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Mrs. Ida N. Allen, Mrs. Mabel A. Davenport, David S. Grogan, and George H. Joseph are now with Allen Investment Company, Mile High Center.

Correction

In the "Financial Chronicle" of Jan. 10 it was reported that Eugene M. McDonald would become a general partner and Miss Mary Del Vecchio a limited partner in Peter P. McDermott & Co., 44 Wall Street, New York City. This was in error — Miss Del Vecchio and Mr. McDonald will both be admitted as general partners.

Carroll Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert T. Kittleson has been added to the staff of Carroll & Co., Denver Club Building. He was previously with Birkenmayer & Co.

BRIDGEPORT BRASS

BRASS "Bridgeport" CO.

1865-1957

PIONEERS IN A GREAT INDUSTRY . . .
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HAS BEEN SERVING ITS CUSTOMERS,
ITS COMMUNITY, AND ITS COUNTRY,
FOR THE PAST NINETY-TWO YEARS.

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Continued from page 112

out the coming year—nor, for that matter, in the immediate months ahead—we fully anticipate that business should experience no sharp upturns or downturns during 1957. Of course, any outlook must be predicated on the assumption that no catastrophic developments in the international situation will occur. One thing is certain—competition will be much keener in the year ahead, and will require all our skills to meet and overcome it successfully.

F. W. SPECHT

President and Chairman, Armour and Company

We have every hope in 1957 for a continuation of the improvement in our business which was recorded in the year just closed.

Volume in the meat packing industry depends on the number of cattle, hogs, and sheep sent to market. There will be fewer hogs in 1957, which is an unfavorable factor. It may well be, however, that the decrease in numbers will be offset by more stable markets for pork and more opportunity for profitable operation than was experienced in 1956.

F. W. Specht

Supplies of cattle should continue at a very high level, and the decrease in pork supplies should improve the demand for beef.

We also look forward to adequate supplies of dairy products, poultry and eggs.

Per capita consumption of meat in 1956 reached the all-time high of 163½ pounds. This vast volume was produced by American agriculture despite severe drought conditions in some important livestock producing sections. There has been a steady improvement in agricultural production per man and per acre. This fact, coupled with the demand of a rising population for more food and better food, points to a good future for businesses engaged in processing farm products.

HON. JOHN SPARKMAN

U. S. Senator from Alabama

For some months the economy has been running at a high level, with available resources employed to the point where inflationary forces are markedly present in most, although not all, segments. It now appears, and I believe is the consensus of the experts, that this high level of activity will continue well into 1957. Economic activity for the year as a whole should equal and perhaps surpass the levels of the recent past.

Sen. John Sparkman

Supporting this prospect are the plans of both government and business. It is, of course, too early for us to know with certainty what the Administration plans are for the Federal budget for the coming fiscal year. In view of the present international situation, however, it is not at all unlikely that defense spending may rise by as much as $2 billion. Moreover, it is likely that there will be increased Federal aid to highways, increased outlays under the combined soil-bank and farm price-support programs. There is also the possibility that a program of Federal aid for school construction may be under way before the end of 1957.

All present indications are that expenditures for plant and equipment will continue at a high pace, although the relatively tight money market and already substantial expansion in recent years may tend to slow the pace as the year advances.

It is perhaps harder to foresee the trend in consumer spending, but relatively full employment, increasing disposable income, and ever-increasing spending on nondurables and services suggest that consumers will contribute their share to maintaining a high level of economic activity.

As is to be expected in a dynamic economy such as we enjoy, there are always some weak spots that need watching. The serious disturbances in the Middle East and the unrest in the satellite countries dramatically demonstrate the need for planning our programs and economic policies with an eye to strengthening not only ourselves but our allies and friends in all parts of the world.

On the domestic scene it is obvious that some parts of the economy, the housing industry, farming, and small business, are in trouble.

In spite of the proclaimed efforts of the monetary authorities to restrain inflationary forces, there has been a creeping rise in the price level during recent months. Our credit policy bears careful watching. We, of course, want to ward against inflation with the hardships which it brings for retired persons and those with fixed incomes. On the other hand, there is the ever-present danger that monetary restrictions can be pressed too far or continued too long, thereby inducing unwanted deflation with unemployment and its own hardships.

This was the case in 1954. Fortunately we had the built-in economic safeguards of the 1930's and 1940's. The safeguards checked the downward plunge of the economy until a relaxation of the tight money policy could take effect. We may be on the verge of a similar situation.

What are the implications of this outlook for legislation in the months immediately ahead?

Under our system of government, it rests upon the Executive Branch to arrive at and present coordinated economic policies. Before one can comment specifically on the course of probable legislation, we must await the presentation of the President's budget, his annual economic report, and such other recommendations as the Executive Department feels desirable.

When the President submits his program, it will be the duty of Congress to accept it, modify it, or reject it and write its own. That latter course was followed by the past Congress in the case of housing, highway legislation, social security measures, and others. The new Congress will more than likely follow a similar procedure in many cases.

Briefly, then, the outlook for increased expenditures in foreign affairs programs, and in such domestic areas as highways, school construction, farm, and expansion in private construction point to general prosperity during 1957.

Legislation relating to housing and small business could very well enhance the outlook for general prosperity and extend the fruits of private enterprise to many who do not now share in it.

PHILIP SPORN

President, American Gas and Electric Company

1956 turned out to be a better business year than generally predicted at its beginning. To give that result a great many unfavorable economic factors had to be hurdled, a number of which have not run their course. Among these are the unsettled international picture, particularly the Suez situation with its crippling effect on the oil supply of western Europe; the tight money situation here in the United States, giving as it does a clear indication that demand for capital is running ahead of capital formation; and the unremitting inflationary pressures. In spite of all these, 1957 promises an extension of the advance that the American economy has been making almost uninterruptedly since 1945. More specifically, 1957 should show an increased Gross National Product, greater industrial production, greater employment, higher wages and significant pressures on the supply and price structures of certain raw materials—copper, aluminum and steel, to name but a few.

Philip Sporn

All these should result in a continuation of the expansion of capital facilities. This, together with the higher personal income, can result in nothing else but a continued expansion in the demand for electric power and energy in the industrial and commercial fields and in the residential field, both urban and rural. Translated into more specific terms the production of the utility systems in the United States, which in 1956 totaled slightly over 600 billion kwh, will show an increase of 9% in 1957, to reach a figure of 655 billion kwh. To meet this demand the utilities of the country, which in 1956 added some 6.7 million kw of generating capacity will, in the coming year, add a total of 9,400,000 kw, and during the next three years will add enough additional capacity to bring the total added in the five-year period 1956-1960 to close to 50 million kw.

A small amount of this truly gigantic increase in capacity is going to be atomic, that is, it will exploit nuclear fuel. And even that small amount will be what might be called experimental, in that future atomic power developments will undoubtedly cause its obsolescence, partially or in whole, well before it reaches the end of its physical life. Thus, the role that atomic power will play in 1957 in contributing to the supply of energy of the United States will again be negligible. But that should not mask the fact that considerable progress will be made along the road of developing competitive atomic power, even though the apparent progress is going to be small.

On the AGE system, 1957 will also be a year of continuing progress. The continuation of expansion of capital facilities which the country will witness will take place with particular vigor on the AGE system because of its unique ability to supply the special kinds of power, large blocks and at reasonable cost, required for chemical, electrochemical and electrometallurgical operations, and for general industry from the lightest to the heaviest as, for example, chlorine, ferro-alloys, steel, rubber, aluminum and coal. And the program of developing the all-electric home, including both electric heating and air conditioning by the heat pump, and other more conventional methods, is going to be vigorously pushed during the year. Consequently the peak demand of the system, which reached 3,750,000 kw in 1956, should show an increase of some 12% to a figure of 4,200,000 kw, and system input and system energy sales should reach 25.5 billion kwh and 23.3 billion kwh, respectively. Total revenues should reach close to $300 million.

To take care of these loads the AGE system is in process of carrying out the largest expansion in electric generating and transmission facilities in the history of the power industry. This involves the addition of a total of 2,860,000 kw and the expenditure of over $700 million in the five-year period 1956-1960. Of the total of 2,800,000 kw, 775,000 kw will be brought into operation in 1957, 1,575,000 kw in 1958, and 450,000 kw in 1959. This generating capacity will be tied to the major load centers of the system by a series of extra high voltage transmission lines operating at 345,000 volts.

All of these new generating units will operate at pressures of 2,000 psi or above, and two of these will represent units of 450,000 kw rating operating at a supercritical pressure of 3,500 psi with double reheat, the initial temperature and the two reheat temperatures being 1050 F. These will attain new standards of thermal efficiency of over 40%, equivalent to the requirement of less than ⅔ lb. of standard heat value coal (13,100 Btu/lb.) per kwh of electric energy generated. Included in this capacity, too, will be two units with a combined rating of 450,000 kw installed in the Kammer Station of Ohio Power Company at Cresaps, West Virginia, to be owned by Olin Revere Metals Corporation which will supply power to its 180,000 ton a year reduction and to the rolling mill operation of Olin Mathieson Chemical Corporation at Clarington, Ohio, but whose operation will be coordinated with that of the AGE system.

JULIAN E. SPRAGUE

President, Sprague Electric Company

On the whole, 1956 was a fairly good year for the electronics industry, although the late fall proved quite disappointing in the home entertainment market. Retail sales of television sets came to slightly less than 7 million units, compared to 7.4 million in 1955, and an increase in the proportion of portables to approximately one-third of the total resulted in dollar sales in the entertainment category falling below $1 billion for the first time since 1951. On the other hand, substantial gains in sales of industrial and commercial equipment and replacement parts, together with a small increase in deliveries for electronic defense resulted in an increase in total industry volume to $5.9 billion at the factory, which is about 8% above the 1955 figure.

Nineteen fifty-six saw a continuation of the concentrated pressures for innovation and change that have characterized the electronics industry for the past several years. During the year, manufacturers of both equipment and component parts were affected by three major developments of this nature. The first of these is automation, or more properly automatic methods for the assembly of end equipment. Developments along this line have resulted in the expenditure of a good many millions of dollars by end equipment producers, and have also had important implications for makers of component parts. In the first place, they have introduced an entirely new order of precision in the physical tolerances to which our products must be manufactured. In the second place, programs of standardization in electronic parts have been set back quite a few years because as yet none of the dozen or so different approaches to automatic assembly has been generally considered to have a clear-cut advantage.

A second very important development has been the increasing use of transistors and other semi-conductors. Transistor production in 1956 was more than triple the previous year's figure, and a further increase of about 50% can be expected in 1957. Increasing transistorization of auto radios and portable radios will probably take place, while improvements in the quality and reliability of transistors will expand their utility in industrial and military electronics. From the parts standpoint, this will also mean increased demand for other components specially designed to work well in transistorized circuits.

The third of the important technological changes taking place in electronics is the great emphasis being placed on what is called reliability, particularly in airborne and other military electronics whose proper operation is vital and increasingly in complex industrial and commercial devices such as digital computers, where the incidence of use of electronic components is very high. Somewhat related to reliability is the matter of much more severe operating conditions, including temperatures in excess of 1,000 degress Fahrenheit and vibrations as high as 2,000-5,000 cycles per second, under which electronic equipment is being called upon to operate. All these requirements must be met without undue increase in the size and weight of the device, and that makes it very much more difficult to attain desired levels of reliability in the end product and in the component parts of which it is composed.

Despite the complex nature of the problem facing both equipment and parts manufacturers as a result of these and other technological changes, good progress was made last year by our industry toward a satisfactory solution, and this progress should continue in 1957. Prospects for the coming year are favorable, in my opinion, despite the fact that operations in the home entertainment field may be at a somewhat lower level in the early months as a result of disappointing retail sales in late 1956 and total inventories at an all-time high of about 2½ million sets at the close of 1956. Defense spending may rise by several billion dollars from the current level, resulting in a further increase in deliveries of military electronics, and I believe a gain of at least 10% may be expected in the industrial and commercial field. I would, therefore, anticipate total industry volume in excess of $6 billion in 1957 for the first time, as well as significant technical achievements in many areas of electronic equipment and component parts.

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Railroad Securities

By GERALD D. McKEEVER

Chicago & Eastern Illinois

The 868-mile Chicago & Eastern Illinois is one of the smallest of Class I roads, but it seems to be turning into a lusty infant. Revenues for the first 11 months of 1956 were up 9.6% and October revenues were up 14.4% and November 8.3% over the corresponding 1955 periods, placing this road in the front rank for 1956 performance along with the Pocahontas roads and a handful of others. This carries on a strong upward revenue trend which began to be really notable in 1952 when the Chicago & Eastern Illinois assumed a sharp lead as to trend of both traffic and revenues over the corresponding trends of both the Class I total and of the road's Central Eastern District. Since the trends of this district have lagged considerably behind those of the Class I total, the superior performance of the Chicago & Eastern Illinois stands out in even sharper relief.

The resurgence of the Chicago & Eastern Illinois has been due largely to the revival of its coal traffic. With the southern half of its lines traversing the coal fields of southern Illinois and Indiana, and also by virtue of its connection at Evansville, Ind. with the Louisville & Nashville, the Chicago & Eastern Illinois has long been an important carrier of coal to the Chicago area. It is said that prior to the turn of the century this road carried more coal into Chicago than all other roads together. It is understood that at that time the Chicago & Eastern Illinois was the principal road serving the southern Illinois and Indiana coal fields.

As time went on, however, competition increased from other roads which began to extend their lines into the area as well as from the opening of other coal fields, notably those of West Kentucky. These and other factors, including the inroads made by oil and natural gas, were reflected by a decline in the coal traffic of the Chicago & Eastern Illinois from 57% of total tonnage as late as 1920, and 59% as recently as 1935, to a little more than 26% by 1951. The sharp revival of this traffic is seen in the rebound of the proportion of coal tonnage to 50.3% in 1955.

This change was brought about largely by the location of several huge electric power plants at points served by the Chicago & Eastern Illinois and one of these, the 937,500 kw. plant of Electric Energy, Inc. at Joppa, Ill., is served exclusively by this road which delivers to it most of its 3.5 million ton annual requirement. The balance is delivered by Ohio River barges. The Chicago & Eastern Illinois had to put up quite a fight for this business, but it was finally ordered by the ICC in 1953 that access to Joppa sought by the New York Central and the Burlington be denied these roads.

Across the river from Joppa is the 1,350,000 kw. plant of the TVA which was opened in 1955 and the 5 million ton annual coal requirement of this plant is handled by the Chicago & Eastern Illinois, Illinois Central and Burlington. Another plant completed last year is the 521,000 kw. station of the Public Service Co. of Indiana at Terre Haute with an annual coal requirement of about 1.9 million tons, and which is served by the Eastern Illinois and the Milwaukee. A smaller plant, also completed last year, is the 175,000 kw. station of Illinois Power Co. near Danville, Ill., and which is served exclusively by the Chicago & Eastern Illinois.

In the meantime the progress of the road has not been one-sided. Its territory is understood to be undergoing a sharp industial revival. A large stamping plant of the Ford Motor Co. has been completed on land sold to it by the Chicago Heights Terminal & Transfer R.R., a wholly owned subsidiary of the Chicago & Eastern Illinois. To handle the heavy traffic that is anticipated from this source, the Chicago & Eastern Illinois ordered 400 additional box cars and four diesels. A new plant of the American Brass Co. has been completed at Terre Haute, and at the same place, Anaconda Company is building a large aluminum rolling mill. Also, it was recently reported that the road plans to sell 30 to 50 acres to Victor Chemical if Chicago zoning authorities approve the erection of a plant on this site.

Fully dieselized since 1950, the Chicago & Eastern Illinois is a fairly efficient operation. In spite of the 1955 wage increases, its Transportation Ratio was held to 37.8% for the first 11 months of last year as against 38.3% for the corresponding 1955 period. Its efficiency has shown steady improvement as measured by gross ton-miles moved per freight train-hour, the gain in this factor having been 47% in the 1947-55 period. About 121 miles of the road's line are covered by CTC with the result of an estimated saving of $270,000 annually, or about 36% on the investment.

It is officially estimated that the Chicago & Eastern Illinois earned "more than" $2.4 million "before funds," or over $6 per common share last year as against $1,972,646 or $4.40 per share in 1955. However, this gain is largely attributed to a refund of $910,000 represented by $603,000 Federal tax and $307,000 interest thereon, which is estimated to represent an increment to earnings of about $750,000 or $1.80 per common share after taxes on the interest factor in the refund. It would appear that the 1956 estimate includes the same $100,000 dividend from Chicago Heights Terminal & Transfer as was paid in 1955. This lucrative subsidiary which owns and operates a 24-mile switching road paid a $250,000 cash dividend in 1954 and a 50% stock dividend besides.

The mortgage debt of the Chicago & Eastern Illinois is alone quite moderate. The almost 80% increase in total term debt that has occurred since the road's reorganization in 1941 has been due to a $15 million increase in equipment obligations and to the issuance in 1954-55 of $12.3 million income debenture 5s of 2054 in exchange for like par amount of the road's $40 par value class A stock. The exchange of about 307,600 shares under this offer has reduced the outstanding balance of class A to 76,119 shares. This stock is followed by 413,529 shares of common.

Since the class A stock is entitled to a $2 per share non-cumulative dividend, its replacement with the non-cumulative 5% debentures with contingent interest neither impairs the position of the road's common stock nor increases its leverage. The creation of the debenture issue has been beneficial, on the other hand, in reducing the road's income tax, since the $615,000 interest on the debentures issued to date is a deductible item in arriving at taxable net whereas the equivalent class A dividend would not be.

On the other hand, a potential threat of dilution of the common stock equity lies in the $12.2 million general mortgage income 5s of 1997, a product of the 1940 reorganization. This issue, convertible at the rate of 41.08 shares of common per $1,000 bond, could result in the creation of over 500,000 additional shares, or a dilution of about 120%. Thus if the entire issue were to be converted, earnings of $6 per share such as are estimated for 1956 would be reduced to less than $3.25 per share even after allowing for the $615,000 annual interest saving.

At its current price of about 23, Chicago & Eastern Illinois common is selling at a reasonable multiple of diluted earnings considering that there may be no rush to convert unless the dividend on the stock is increased from the $1.25 regular and extra paid in 1955, and which represents barely more than income parity with the bonds. In view of the potential dilution, the abnormally low ratio of the price of this stock to per share earnings on the present stock capital is thus illusory. Potential dilution is bound to put the brakes on substantial price appreciation unless there is an extraordinary increase in earnings, and another retarding factor may be found in the fact that 1956 net was bolstered by a tax deferral of over $2 per common share, and which will be almost cut in half this year.

J. Walter Bell

J. Walter Bell passed away Jan. 9 at the age of 77. Mr. Bell prior to his retirement had been in the investment business for over 50 years, with his own firm, J. Walter Bell & Co. in New York City.

Joseph Kavanagh

Joseph A. Kavanagh passed away Jan. 7 at the age of 77. Prior to his retirement he had been senior partner of Morris Joseph & Co.

G. B. Hazelhurst

G. B. Hazelhurst, President of Hazelhurst, Flannigan & Co., Colorado Springs, passed away Jan. 9.

Joins Copley Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—George P. Apostolas has been added to the staff of Copley & Company, Burns Building.

COME GROW WITH US IN THE GREAT SOUTHWEST

. . . where there is plenty of room under clean blue skies, vast reserves of fuel and other natural resources, legions of friendly intelligent workers, and an abundance of dependable low-cost electricity. Our five year record tells the story of substantial growth in this fabulous southwestern area.

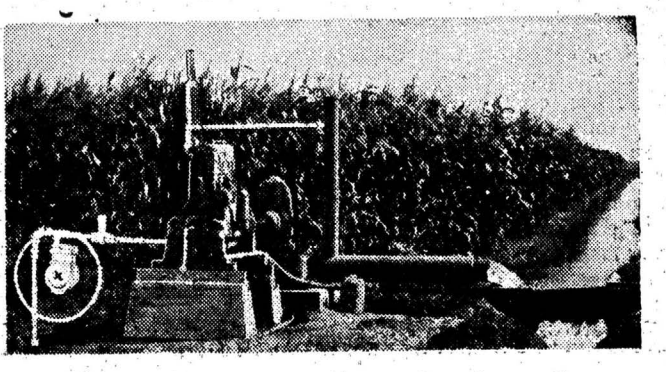
	1956	1951	% increase
Operating Revenues	$48,334,000	$29,255,000	65%
Net Income	9,474,000	4,960,000	91%
Customers Served (year end)	320,190	277,596	15%
Kwh Sales (000)	2,455,000	1,547,000	59%
System Peak Demand (Kw)	620,000	343,800	80%
Generating Capacity (Kw)	728,900	342,300	113%

OKLAHOMA GAS AND ELECTRIC COMPANY

48 consecutive years of paying common stock dividends

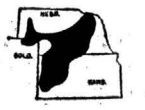
321 North Harvey Street, Oklahoma City, Oklahoma

DONALD S. KENNEDY, President



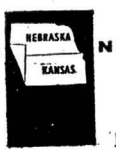
Natural gas for irrigation

makes the good life BETTER

in the Great Plains  Area

The Ideal Fuel

Great Plains farmers in increasing numbers are looking less to the sky and more to Kansas-Nebraska for water for their thirsty crops. They are finding Natural Gas the ideal fuel for irrigation. Costing only one-fourth as much as other fuels, it is EXTREMELY ECONOMICAL . . . requiring no storage, it is the ultimate in CONVENIENCE . . . delivered through a pipeline when and where you want it, Natural Gas is DEPENDABLE. Pioneering Natural Gas for pump irrigation . . . thus helping to insure the crops of the Great Plains . . . is typical of the many unusual services performed by Kansas-Nebraska to build a stronger economy throughout the area it serves.

KANSAS 

NEBRASKA NATURAL GAS CO.

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Continued from page 114

HERMAN W. STEINKRAUS

President, Bridgeport Brass Company

Our industry is known as a brass and copper mill products industry producing sheet, strip, rod, wire, tube and pipe out of the basic metals of copper, zinc, Nickel, tin and other alloying elements. The wide variety of alloys totals close to 200.

H. W. Steinkraus

By far, the most important metal is copper, with zinc in a strong number two position. The world copper market therefore, has a strong influence on our industry.

Nineteen Fifty-six has been a most hectic one as far as the copper market is concerned. Prices ranged from a low of 33 cents to a high of 55 cents within a year, due to a shortage of the metal. The middle of the year experienced a buyers' strike in a rapidly falling market, with year end prices ranging from 34 cents to 36 cents a pound. This has probably been the widest fluctuation of copper prices we have experienced, with increases or deceases ranging as high as six cents a pound overnight.

Naturally all members of the industry had to go from peak performance in the first quarter to a lower level in June and July, more than one-third off the peak. During the latter part of the third quarter the situation began to improve, and this improvement has extended through the fourth quarter. With a more stable copper market, the year 1957 should be decidedly better than 1956.

Many of the important members of this industry have entered the aluminum mill products field in the last few years. This is a development which will doubtless continue to grow.

In addition to the variation experienced by the copper market, the constant rise of wages in the industry and throughout the country is a cause for concern unless it can be offset by improved efficiency and other economies. Most of the major companies in the industry have signed contracts with their unions extending for a period of two to three years, with annual wage increases. It will take superior teamwork between management and labor to carry these additional costs and yet be competitive with other materials which could be substituted.

Our own company has developed budgets for sales and profits with due consideration for these factors. If the major industries whom we serve have a good year in 1957, we will share in their prosperity. Included in these major factors are the building industry, the automotive industry, the public utilities, the oil industry, and others.

An increased defense program should also have a favorable effect upon our industry.

We have developed through research and engineering, programs and products which are being used increasingly in the field of rockets, guided missiles, aircraft and atomic energy. These, together with new cost reducing equipment installed in our various plants, particularly during the past three years, will help to make 1957 a good year for us.

LAWRENCE F. STERN

Chairman of the Board, American National Bank and Trust Company of Chicago

By 1956 year-end the Federal Reserve's seasonally adjusted index of industrial production will reach a new all-time high, probably equal to or slightly higher than the 146 reported for November (1947-1949=100). By way of comparison the index will average out around 142 for the full year 1956, against 139 for the year 1955. Furthermore, continuation of the present rate of business activity seems assured during the next six months.

Lawrence F. Stern

Two strong forces will sustain business at the current high level in the year ahead: increased government spending, both Federal as well as state and local, and slightly increased private investment. A recent joint forecast by the Departments of Commerce and Labor projects new construction in 1957 in the vicinity of $46.4 billion, up 4% from the $44.5 billion spent in 1956. A breakdown of the forecast between private and public construction is as follows:

	1957	1956
Private	$31.4	$31.0
Public	15.0	13.5
	$46.4	$44.5

Non-residential building is expected to increase about 8% in 1957, with principal areas of strength provided by industrial construction, private institutional construction, and a continued high demand for office facilities. A slight decline, on the other hand, is forecast for shopping center and store building and a further decline is anticipated for new residential construction. Spending by public utilities is expected to rise 13% from $5.1 billion in 1956 to $5.8 billion in 1957; and this rise alone will be almost enough to off-set an estimated $800 million drop in private home building. A 12% increase is anticipated in publicly financed construction.

Another well regarded survey of capital spending for 1957, completed by McGraw-Hill in December, substantiated the Department of Commerce and Labor forecast and indicated that apparently neither the Suez Crisis nor the election significantly changed industry's plans for expenditures on plant and equipment.

The implications of both these forecasts are clear that tight money has not as yet substantially retarded industry's capital investment programs. Thus far it would appear that these programs are influenced more by the outlook for over-all volume of business and profit margins than by interest rates. On the other hand, the decline which has taken place in residential construction since June, 1955, has clearly reflected tight money and will undoubtedly continue to do so.

Increased government spending and private investment should maintain full employment and disposable incomes will doubtless rise further due to recent wage increases. Consumers, however, this past year have shown a disposition toward saving more than they did in 1955. While gross extensions of consumer credit have been at near record levels throughout 1956, the repayment rate has also continued to rise. In recent months extensions and repayments have been practically in balance.

Therefore, if demand for automobiles and other consumer durables is stimulated in coming months by new products and new models, gross extensions of consumer credit will rise again. Consequently, net credit extended will continue to have an influence on sales of consumer durables.

At the moment the most serious deflationary threat to our domestic economy would seem to be posed by the economic distortions which might arise in Western Europe as a result of the blocking of the Suez Canal and the consequent loss of vital supplies of oil.

In view of the fact that industry has been adding to productive capacity at such a rapid rate in recent years, the question should be raised as to whether we have not reached a point where some slow-down in capital investment may be expected.

WILLIAM C. STOLK

President, American Can Company

Industry production of metal cans in 1957 will approach 42 billion units, substantially topping last year's all-time record of some 40 billion containers.

The can industry reached new production levels during each of the past five years and the upward trend will continue through 1957. The continuing gains in can production can be attributed to the general high level of economic activity and to the fact that metal containers are being used in greater and greater volume to pack a constantly increasing number of products. Unusually large packs of fruits and vegetables brought 1956 food can production up approximately 10% over last year. Food cans constituted 62% of total 1956 metal container production.

William C. Stolk

Another important increase was the 5% rise in beer can production in 1956 over 1955. Developed by Canco only 20 years ago, the beer can now accounts for about 15% of all can production by the industry. We estimate 8.5 billion beer cans will be made in 1957, approximately 700 million units over production in 1956.

As for the possible impact of recent world events on the supply of tin for can making, it should be noted that we have made sufficient progress in finding alternate materials for tin to enable us in an emergency to convert our facilities to maintain 65 to 70% of our business in tinless containers. This means that virtually all our customers who suffered from government restrictions on tin during World War II would not be affected at all by a tin shortage.

Billions of tinless cans are now being manufactured for such products as motor oil, anti-freeze, polishes and waxes, cosmetics and drugs and detergents and insecticides. In addition, we have developed the technology to eliminate most of the tin from many other cans. For example, during the past year we perfected a new process of margin-plating, in which tin is used to coat only the narrow strip of steel plate, no more than three-sixteenths of an inch wide, that forms the soldered sideseam of the finished can. Margin-plating could save as much as 5,260,000 pounds of strategic tin a year.

While Canco has already tested this process commercially and has produced many millions of completely satisfactory cans with it margin-plating at present is considered an emergency process, to be used only if our tin supplies should be drastically curtailed by a national emergency. In that case margin-plating could be turned to helping produce the more than 10 billion beer, coffee and pet food cans that account for about a quarter of all the metal containers produced annually in the United States.

FRED R. SULLIVAN

President, Monroe Calculating Machine Co., Inc.

We are happy to say that we expect 1957 to be just as big as 1956 for the office equipment industry. For our own company, 1956 was the best sales year in Monroe history. But I think 1957 can be even better. The primary reason for our optimism is based on a variety of economic forecasts, all of which point to a continued high level of business activity in 1957. A healthful economic climate for the nation as a whole is our most important barometer in predicting a prosperous sales year for office equipment.

Fred R. Sullivan

Beyond what we might expect from a flourishing economy in general, there are certain other highly favorable trends which speak well for the manufacturers of figuring equipment. Paramount among these is the growing interest in machines for the office. Every day the need increases for obtaining more quickly, accurately and automatically the information by which we all guide our businesses. An important explanation for this growing need lies in the employment pinch wihch covers most parts of the country, and which is expected to extend into 1957. With the nation operating at nearly-full employment, it becomes increasingly vital that business find the best in labor-saving devices. While this has always been true, we expect it to be even more so in the days ahead. The savings in human time made possible by adding, calculating and accounting machines have taken on new significance with integrated data processing equipment, which will bring a degree of automation to the office heretofore not envisaged. We predict that the greatest growth in 1957 will be in electro-mechanical adding and accounting machines for punching tape and cards, for these machines offer a high degree of automation at relatively low cost, within the reach of small businesses.

If credit curbs do not tighten an already restrained money supply, we expect business and industry to make increased capital expansion in 1957, and we expect our own products to take a bigger share of this investment than in recent years.

Ours has always been a highly competitive industry, and we have no reason to believe that the pressure will slacken in the near future. We expect, in fact, that it will become even more intense, and for this reason we will devote an even larger share of our time and money to research and development than we did ten or five or even one year ago. With expanded efforts on all fronts we hope to strengthen considerably our position in an industry which shows every indication of enjoying a healthy and prosperous year in 1957.

HENDERSON SUPPLEE, JR.

President, The Atlantic Refining Company

As the result of vast capital expenditures for plant and equipment the American oil industry has been able to meet the domestic demand for petroleum products which has increased more than 60% in the last 10 years. These expnditures are now running at close to a $6.0 billion annual rate. In view of the domestic demand which we think will increase by at least another 25% over the next five years it seems quite unlikely that this rate of capital spending will decline very much in the foreseeable future.

H. Supplee, Jr.

In the case of Atlantic, the capital expenditure trend is upward. For example, our capital spending in 1956 (not including our purchase of Houston Oil Company) totalled about $75 million, against $60 million in 1955. The figure in 1957 may range between $90 and $100 million. Well over half of our expenditures will continue to go into the effort to find and develop additional crude oil supplies, both domestic and foreign. Substantial amounts will be required to meet steady growth and constantly improving quality of products and services.

In looking to next year, our present forecast is that domestic demand for petroleum products in 1957 will average about 9,265,000 barrels per day, or an increase of 4.1% over 1956. We estimate that domestic demand in 1956 was 5.8% higher than in 1955.

This forecast is based primarily on our expectation that the American economy as a whole will show approximately the same amount of growth in 1957 as in 1956. However, there are two main reasons why we do not expect petroleum demand to increase as much this year as last. First, the increase in gasoline demand will probably not be as great, because gains in gasoline sales in 1956 reflected the very high auto sales level of 1955, which of course was not repeated last year. Second, the forecast for heating oil demand assumes normal weather conditions, whereas the weather in early 1956 was colder than normal and heating oil sales rose accordingly.

The forecast discussed above pertains to domestic product demand only. It seems unlikely that the Suez situation will affect this demand to any significant degree, or that it will impede the U. S. oil industry's ability to supply the forecast domestic requirements. The

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closing of the Canal will, of course, have a pronounced but as yet largely indeterminable effect on domestic crude production and on exports and imports. For example, before the Middle East difficulties arose, our best estimate was that domestic crude production in 1957 would average about 7,290,000 barrels per day. It appears now, however, that when the full impact of the Suez closing is felt, production may have to be increased by at least 700,000 barrels per day over this figure.

JAMES M. SYMES

President, Pennsylvania Railroad

Pennsylvania Railroad earnings for 1956 will probably be slightly above the $41 million earned in 1955. This was achieved despite the adverse effect on earnings of the steel strike last summer, increases in the prices of materials used and wage increases effective Nov. 1. Emergency freight rate increases just authorized by the Interstate Commerce Commission arrived too late to offset the added costs during the year.

James M. Symes

While the outlook for the nation in 1957 is generally prosperous, the Pennsylvania's outlook is largely dependent on the extent to which Government allows the railroad industry to operate at a suitable profit in the present inflationary era. Passenger, mail and express services are operating at a loss, and petitions are now before the Commission seeking increased charges for these services. There is also pending before the Commission a request for additional increases in freight charges. We are also seeking from Congress, legislative action that would eliminate the war-time transportation tax; i.e., 10% on passenger and 3% on freight rates.

On a truly full-cost basis, the railroads are the nation's most economical form of mass transportation. Given reasonable treatment by Government in 1957, the Pennsylvania should have a somewhat better year than 1956—and move forward to a better participation in the nation's growing economy.

E. J. THOMAS

President, The Goodyear Tire & Rubber Company

There are two guideposts I can mention which will best give the picture for the rubber industry in 1957.

The first is the number of tires produced. In 1940, the period immediately previous to World War II, our industry had reached a production of 60,000,000 tires. In 1956 we produced 104,000,000 tires. The estimate of the industry for 1957 is for the manufacture of 111,000,000 tires. This expected increase comes from a larger renewal tire market, but mainly from more tires for original equipment on new vehicles. These plans are based on a production in 1957 of 6,500,000 passenger cars and 1,200,000 trucks. Notable has been the continued switch to lower diameter and larger cross-section tires; the increased use of tubeless construction; the growth in very large tires for off-the-road hauling such as earthmoving; the increased use of synthetic rubbers; the shift almost completely from cotton to rayon, and now the rapidly increased use of nylon; and the development of safer and better tires.

E. J. Thomas

The second guidepost is the amount of rubber consumed annually. This reflects not only tire production but the very fast-growing products such as industrial rubber goods, molded goods, foam and flooring. In the modern automobile, there is now almost as much rubber in other-than-tire products as there is in the tires. Rubber consumption in 1940 was 652,000 tons—100% natural rubber. In 1956 the industry will use 1,435,000 tons, about 60% of this being synthetic rubber and only 40% natural. For 1957 we expect to consume 1,510,000 tons, with at least 62% of it synthetic and 38% natural.

Synthetic plant capacities in this country are being considerably increased to where there will soon exist an annual capacity of all kinds of synthetic rubbers amounting to 1,700,000 tons, thus assuring the material for the growth of the industry. There will be plenty of rubber available, both synthetic and natural, and at more stable prices, with some of the old-time rubber inventory hazards being minimized. New synthetic rubbers, now in pilot plant stage, promise to be able to completely equal or better natural rubber for all usages.

The rubber industry, with its increased diversification, now including in addition to tires and rubber products, the many other items such as chemicals, aircraft, electronics, metals and plastics, tends to be more stable than heretofore when more dependence was placed on tires alone. The new national highway program, as it develops, will give great impetus to increased vehicle registration and, consequently, rubber consumption.

In all of our estimates, the strength of the first half of 1957 is a little more clear than the last half.

The year for the rubber industry should be one of a little higher volume, plenty of capacity to take care of it, continued strong competitive selling, and a tough fight to maintain and improve profit margins.

NORMAN R. SUTHERLAND

President and General Manager
Pacific Gas and Electric Company

In its territory of service in Northern and Central California, which includes about two-thirds of the area and half the population of the state, Pacific Gas and Electric Company expects general business activity in 1957 to exceed that of 1956, which held at a very high level.

N. R. Sutherland

Population in this area of 47 counties is expected to increase by about 182,000 persons, a gain of 2.8% over 1956. This growth will be about equally divided between natural increase and the continued large migration from other states. The volume of new home construction is estimated at 65,500 units, only slightly less than in 1956.

Retail sales of taxable items by all businesses should reach a record-breaking total of $8.6 billion, an increase of about 4.7% over 1956. PG&E will provide strong support for gas and electric appliance sales by dealers through its advertising and promotional program.

In agriculture, additional acreage of many crops will be planted, although development of new land in 1957 will proceed at a slower pace than in the recent past.

Industrial expansion, which has proceeded at a phenomenal rate in postwar California, also is expected to continue at a high level. The dollar value of commitments for new plants and expansions in PG&E territory during 1956 reached an all-time high of more than $400 million. Many of these plants will be constructed during 1957 and 1958. Pacific Gas and Electric Company is now engaged in a national advertising campaign to bring business opportunities in its area to the attention of industry elsewhere. Two previous such campaigns have been notably successful in attracting new industry.

Since utility service must be available on demand, we look considerably further ahead than the new year in appraising growth. PG&E began three years ago to construct the new generating and other associated facilities necessary to serve the electric power demands which will arise in 1957. Construction of 1,495,000 kilowatts of additional capacity is now in progress or scheduled, to provide for estimated growth in demand until 1961. This figure includes two 325,000-kilowatt generating units to be added to our Pittsburg Power Plant, one in 1960 and one in 1961. Each of these units will be twice as large as the biggest now in service on the PG&E system. Together they will increase the capacity of this plant, already the largest steam-operated electric plant west of the Mississippi River, to 1,310,000 kilowatts.

By late summer this year the company's lines will be carrying the nation's first entirely privately financed electric power in commercial service. Through a cooperative arrangement with the General Electric Company, PG&E will install a 5,000-kilowatt generator at General Electric's Vallecitos Atomic Laboratory. This plant is a pilot operation for a 180,000-kilowatt nuclear plant General Electric will build near Chicago for Commonwealth Edison Company and Nuclear Power Group, Inc., with which PG&E is associated.

Provision also has been made for additional supplies of natural gas. We are now taking deliveries of 750 million cubic feet daily, about two-thirds of the area's

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CONTINENTAL ILLINOIS
NATIONAL BANK and TRUST COMPANY
OF CHICAGO

Statement of Condition

December 31, 1956

RESOURCES

Cash and Due from Banks	$ 671,049,560.83
United States Government Obligations	731,057,257.54
Other Bonds and Securities	175,241,080.83
Loans and Discounts	1,166,841,545.41
Stock in Federal Reserve Bank	6,450,000.00
Customers' Liability on Acceptances	1,776,932.26
Income Accrued but Not Collected	9,346,756.66
Banking House	7,500,000.00
	$2,769,263,133.53

LIABILITIES

Deposits	$2,496,971,564.75
Acceptances	1,776,932.26
Reserves for Taxes, Interest, and Expenses	13,935,347.27
Reserve for Contingencies	18,106,691.88
Income Collected but Not Earned	2,354,847.20
Capital Stock (2,700,000 shares since Feb. 14, 1956. Par value $33⅓)	90,000,000.00
Surplus	125,000,000.00
Undivided Profits	21,117,750.17
	$2,769,263,133.53

United States Government obligations carried at $209,132,676.62 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Board of Directors

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CHAUNCEY B. BORLAND, *Managing Owner*, Borland Properties
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ALFRED COWLES, Cowles Properties
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requirements, from fields in Texas and New Mexico. The remainder is supplied from California fields. We plan an increase to more than one billion cubic feet a day by the winter of 1959.

During 1956 our expansion costs were approximately $145 million. Expenditures will be greater in 1957 and will approximate $190 million. The necessary financing is under consideration.

GLENN W. THOMPSON

President and Chairman of the Board, Arvin Industries, Inc.

Competition will continue keen, the squeeze between costs and prices will be accelerated and management will be challenged to use all the ingenuity it can muster to retain adequate profit margins in 1957.

Glenn W. Thompson

The rewards in the new year will go to those who approach their problems with a high degree of intelligence, using those new techniques of scientific management which are available to all who will employ them. Newer developments in the fields of industrial engineering, market research and employee relations offer almost unlimited opportunities to the firms which will adopt them. Research will be almost a necessity even for the small and middle-sized corporations.

Overlooked areas in the factories and offices offer splendid opportunities for cost cutting through greater use of industrial engineering practices. Customers will continue to buy from someone and the company which gets the order more times than not will be the one which knows in advance through intensive market research what the public wants and then proceeds to supply those wants. Facts will pay off in 1957 while guesses and hunches will prove more expensive than ever before.

The scarcity of competent management people at all levels suggests the great desirability of week-to-week training. Neglected much too frequently is the knowledge that employees on the average produce only a fraction of their potentials and that motivation is the answer to the manpower shortage which threatens to become more severe in the years ahead. Great gains await the managements which attack even a single phase of this problem in 1957. Improved communications, for example, stimulate morale by giving employees the sense of "belonging," the certainty that they are members of the team and as such have obligations to see that the "team" wins its share of victories.

As to our own company, we expect volume in the new year to be from 7% to 10% higher than in 1956. Profit margins should be retained or improved. In making capital expenditures stress will be laid on those things which will further lighten work loads of employees and utilize more efficiently available manpower.

Arvin is a part of three great industries—automotive parts and equipment, metal furniture and housewares and electronics and appliances. The enthusiastic public acceptance of the 1957 model passenger cars almost insures a substantially increased production of automobiles over the 1956 totals. Commitments made to us by the major motor car manufacturers are importantly ahead of a year ago.

The growing emphasis on leisure as a significant part of the American way of life and the continuing trend toward outdoor living are expected to increase the demand for the products of our outdoor furniture and housewares products. Employment of more and more women in the factories and offices of the nation creates a greater demand for those things which ease the burdens of the housewife in her home. Electronic devices and electrical appliances undoubtedly are the answer to those who would reduce the time and energy required for household work. In addition, new products, developed in our Research and Advanced Engineering Department and tested as to public reaction by our Market and Product Research Department, are to be introduced throughout the year.

It is on all of these factors, as well as the growing population and the present and expected future level of the national economy, that we predict for our company an increase in sales of from 7 to 10% in 1957.

J. K. THOMPSON

Chairman of the Board, Union Bank of Commerce, Cleveland, Ohio

Another good business year was experienced in 1956 even with major declines in the automobile production rate and in the number of housing starts, as well as a steel strike which lasted about a month. These reductions in activity were offset by improvements in other directions, including business expenditures for new plant and equipment, with the net result that Gross National Product for the year was slightly higher in 1956 than in 1955.

J. K. Thompson

We are going into 1957 on a high plane of business activity, and it is likely that the year 1957 will be a slightly better business year than 1956. Capital expenditures will probably be greater than those in 1956. Automobile production should be at least 10% greater than in 1956, and steel production will probably set a new production record in 1957. There will probably be a slight further reduction in the number of housing starts, but I believe that over-all there will be a slight increase in the Federal Reserve index of industrial production and in the Gross National Product, as well as a further slight increase in the Consumer Price index.

On the basis of the law of supply and demand, interest rates were somewhat higher in 1956 than they were in 1955. The Federal Reserve authorities continued to follow a policy of restraint in the money markets. There were several increases during the year in the banks' rediscount rate. The restraints effected by the Federal Reserve authorities have been worthwhile in helping to prevent an inflationary spiral and a future deflationary setback. With the capital expenditure plans of many corporations, municipalities and others, I believe there will continue to be a substantial borrowing demand and I believe, therefore, that we will have a continuance in 1957 of a tight money market. There is a general realization on the part of borrowers that there is a great demand for loans and those who have really worthwhile projects are willing to pay the increased interest rates. In many cases those who do not have worthwhile projects are willing to postpone them. This is certainly desirable in the broad picture. From the standpoint of money, men and materials, everybody cannot do his expanding at the same time.

Personal incomes probably will be higher in 1957 than in any other year, and it would be very helpful if a larger proportion of incomes was placed in savings than has been true in the last few years.

We are, of course, in a disturbed world situation and it is difficult to predict what effect a continuance of the present situations would have on the 1957 business picture. It would appear, however, that 1957 should be another fine business year.

RAYMOND H. TROTT

President, Rhode Island Hospital Trust Company, Providence, Rhode Island

"There is no denying that the business boom has reached a dangerously high level. By and large industries are operating at capacity, shortages of manpower and basic raw materials are appearing . . . The advance since last July in the Labor Bureau's index of commodities other than farm products and foods is the most ominous inflationary development since the Korean War inflation ended . . . with the 'accord' between the Federal Reserve and the Treasury. The Federal Reserve has recognized the dangers in this situation and for a year has been acting to curb the boom. However, it has been so fearful of damaging confidence . . . that it has been very gentle in administering its restrictions. The present question is whether Federal can attain its goal with such gentle tactics. Confidence is still high and businessmen are planning further huge capital expenditures which will call for more of the scarce raw materials. Obviously, the Federal Reserve Board would like to see these expenditures postponed to a time when they might be needed to support declining production. Consequently, there seems no reason to believe that it will reverse its restrictive policy until the dangers of an inflationary boom have passed. Federal stopped the boom in 1953 by adopting drastic methods; it is trying to stop it this time without sending long Treasury bonds below 90. It may succeed or it may have to adopt more rugged tactics to accomplish its purpose; but I think sooner or later it will bring the current inflationary cycle to an end."

Raymond H. Trott

Up to this point I have quoted verbatim from my comments of a year ago. The boom now is at an even more dangerous level, the threat of inflation is greater than ever, the Victory 2½s have not only broken 90 but 88

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TISHMAN REALTY & CONSTRUCTION CO., INC.

460 PARK AVENUE, NEW YORK

OWNERS AND BUILDERS SINCE 1898

CONDENSED STATEMENT

The Central Bank Company

LORAIN, OHIO

At the Close of Business December 31, 1956

RESOURCES—		
Cash in Vaults and with Banks		$ 2,716,292.93
U. S. Government Obligations, Direct and fully guaranteed		6,424,909.88
State, Municipal and Other Bonds and Investments		715,495.21
Loans and Discounts		8,425,547.20
Banking House, Furniture and Fixtures		279,993.87
Other Assets		28,068.58
		$18,590,307.67
LIABILITIES—		
Deposits:		
Demand		$ 7,873,867.44
Time		9,405,131.56
Reserves for:		
Unearned Discount, Federal Income Taxes, etc.		156,191.23
Capital	$500,000.00	
Surplus	530,000.00	
Undivided Profits	125,117.39	1,155,117.39
		$18,590,307.67

H. G. PYLE, PRESIDENT

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
MEMBER FEDERAL RESERVE SYSTEM

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The Future of Interest Rates

utilization of our economic resources, and in holding our economic life in equilibrium.

The explanation of the rate of interest in the history of economic thought has developed interesting rival or complementary theories which we may not do more than mention here. For John Bates Clark the rate of interest is governed by the marginal product of capital The greater the volume of capital in relation to the supply of labor, the lower the margin will go and the lower the rate of interest will be. For Boehm-Bawerk the factor of time preference is of primary importance. Interest must be paid to induce men to forego present consumption. Unless the utilization of existing income in producing bridges and machinery creates a greater future product of hats and shoes and food than could be had by using the present income for consumption today, men will not wait. The future is far off and looks small in relation to the present.*

There is an immense literature on the theory of interest running in terms like these, with almost nothing said about the quantity of money as a factor in determining the rate of interest.

Side by side, however, with the development of the pure theory of the rate of interest, we have had the development of a very useful and very able body of money market discussion. The money market writers in London and New York, trying to forecast rates of interest, including the yield of long-term bonds, have had very little to say about the marginal productivity of capital or the time preference of savers. They have talked about the gold reserves of the Bank of England, the inflow and outflow of gold, the prospects of changes in the discount rate of the Bank of England, or the Bank of England's operations in "selling to the market." The money market writers in New York studied the weekly figures of the New York Clearing House, the relation of reserves to deposits, the relation of loans to deposits, the prospects of the autumn demands for money for crop moving, the inflow and outflow of gold, and, after the coming of the Federal Reserve system, they discussed the discount and the open-market policy of the Federal Reserve banks. The money-market students have had no doubt that the abundance or scarcity of bank reserves in relation to deposits would affect not merely the short-term rates of interest but also the yield on long-term bonds.

*The time preference theorists regard the productivity theorists as involved in circular reasoning, since the very capital value on which the marginal product is computed as a percentage is itself in part determined by the rate of interest. I believe that this criticism of the productivity theorists is correct, but I do not discuss it here.

Proper Money Supply

There have been two main reasons why the theoretical economists in the past have neglected the money factor and have concentrated their study on the psychological attitudes of the saver and on the use of capital in industrial processes. The first is that down to 1914 we had had a minimum of money market manipulation by central banks and governments deliberately designed to control rates of interest. London had some of it. The Bank of England would occasionally raise its rate for the purpose of stopping an unsound speculative movement, and it would occasionally sell Consols or Indian Council bills for the purpose of taking up the floating supply of money. These operations were microscopic indeed in comparison with open-market operations in the period following 1921. I have found one case where the sale of 1,100,000 pounds of Indian Council bills was sufficient to "make Bank Rate effective." Operations of £5,000,000 were large operations in prewar London. The volume of excess money rarely grew so large in prewar days as to attract the attention of academic economists or the general public.

There was a period from 1897 to 1903 when the great influx of gold which came to the United States clearly pulled down the long-time rates of interest. The average yield of 10 railroad bonds dropped from 4.38% in 1897 to 3.77% in 1902. But the downward movement in yield was gradual and, though it was not unnoticed by economists, it made no change in the prevailing theories of interest.

The second reason why economists disregarded the money factor was the widespread prevalence of the quantity theory of money. For this theory the quantity of money governs, not the rate of interest, but the level of commodity prices. The following passage, typical of this old view, is taken from Taussig's *Principles of Economics*, 1920 edition, Vol. II, page 5:

"We may brush aside, not only the notion that interest arises from the use of money, but that the rate of interest depends on the quantity of money. More money makes higher prices, not lower interest. The connection which does exist between the rate of bank discount and the quantity of money held by banks has been sufficiently explained; this bank rate oscillates above and below what may be called the true rate of interest—the return on steady investments. In the exposition which follows, this essential rate of interest will be had in mind."

What Fixes Interest Rate?

The present writer, who has never accepted the quantity theory of money, became convinced many years ago that this dogma of the quantity theory of money was unsound. In my *Value of Money*, first published in 1917, I held that an increase in the quantity of money would lower interest rates, first short-term money rates and then, if these continued low for a considerable period of time, finally long-term rates. I rejected the notion that bank rates merely oscillate above and below the long-time rate of interest, finding a clear tendency for short-term rates to be lower than long-term rates and for the call rate, despite its occasional flights to high levels, to be lower than all time rates. I placed heavy emphasis upon the liquidity factor emphasizing that the more liquid loans, and the more readily marketable bonds, would command lower rates than less liquid loans and less marketable bonds of equal safety. I concluded that it was a mistake to look for the pure long-time rate of interest in the yield on gilt-edged, readily marketable bonds, because the liquidity factor pulled down the rate on these bonds, and I was disposed to find the pure long-time rate in the rate on safe mortgages and other safe fixed investments. I recognized, too, that the notion of *one* pure rate of interest was a myth, but regarded it as a useful theoretical concept which concentrated attention on a highly important set of causes affecting actual interest rates.†

I recognized, too, contrary to the traditional view, that new bank credit could be a real source of capital without preliminary abstinence or waiting on the part of savers.‡

In 1920, in an address before the Indiana Bankers Association, the writer offered the following doctrine with respect to the nature and sources of capitals.§

Capital consists of the produced means of production. It consists of railroads and bridges, of factories and machinery, of stocks of raw materials, of flocks and herds, of orchards, of sub-soil drainage, of fences and barns, of stock of goods on the merchant's shelves. Capital grows as men consume less than they currently produce.

Five Main Sources of Capital

There are five main sources of capital. The first is consumer's thrift. A man has an income of $5,000. He and his family spend $4,000 a year in current consumption, and the remaining $1,000 is available for the purchase of a railroad bond, or for a loan on mortgage, or for the building of a home, or for deposit in a savings bank which in turn will buy a railroad bond or lend on mortgage, or for the expansion of the individual's business, or the starting of an independent business enterprise. It was this source of capital which the older economists chiefly stressed. It is very important. To the extent that the saver refrains from immediate consumption, less hats and shoes and ice cream are produced. To the extent that he invests in any of the forms indicated, more machinery, more railroad terminals, more houses, more goods on shelves, more things which will give forth their services in the future are produced. His decisions, to the extent of his economic power, turn the activities of the community toward producing for the present or toward producing for the future. There is a back-and-forth play between the rate of interest and his decisions to save. When savings are large, rates of interest tend downward. When rates of interest are high, more saving is induced.

The second great source of capital, the importance of which we were just beginning to recognize in 1920, is business savings and, above all, corporate savings. David Friday in his *Profit, Wages and Prices*, published in 1920, was the pioneer in emphasizing its importance and in undertaking to measure it for the United States. The turning back of corporate earnings to surplus has been a major source of capital in our history and a major source of our economic growth. Public policy which restricts this, such as the undistributed profits tax, or corporation taxes so high as to prevent the accumulation of adequate surpluses and reserves, does the country incredible harm.

The third source of capital is direct capitalization, particularly important in agriculture, though important also in small shops and factories and in homes. It comes when the farmer or the home owner uses his spare time in painting his buildings, in building fences and barns, in putting in sub-soil drainage. It is the product of labor rather than of saving. It involves no money intermediation. It comes when the farmer lets his flocks and herds increase instead of selling off the whole of the annual increase. One able Italian authority expressed the opinion to me in 1937 that the capital created by the Italian peasant, as he cleared his land of rocks and fertilized his land and terraced it, increased the number of his goats, etc., was practically offsetting the damage Mussolini was doing that year to the capital of the country by his fiscal deficit.

A fourth source of capital is governmental thrift, taxation for capital purposes — formerly very

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†See *Value of Money*, New York, Macmillan, 1917. New edition, New York, Richard R. Smith, 1936. Page references in index under "Interest," and "Money Rates."

‡*Ibid.*, pages 484, n.; 484-89; ch. XXIV.

§Published in *The Chase*, the house organ of the Chase National Bank of the City of New York, November, 1920. See also "Bank Money and the Capital Supply," *The Chase Economic Bulletin*, November, 1926, and "Eating the Seed Corn," *The Chase Economic Bulletin*, May, 1936.

AMERICAN TRUST COMPANY

South Bend's Most Convenient Bank

Statement of December 31, 1956

RESOURCES

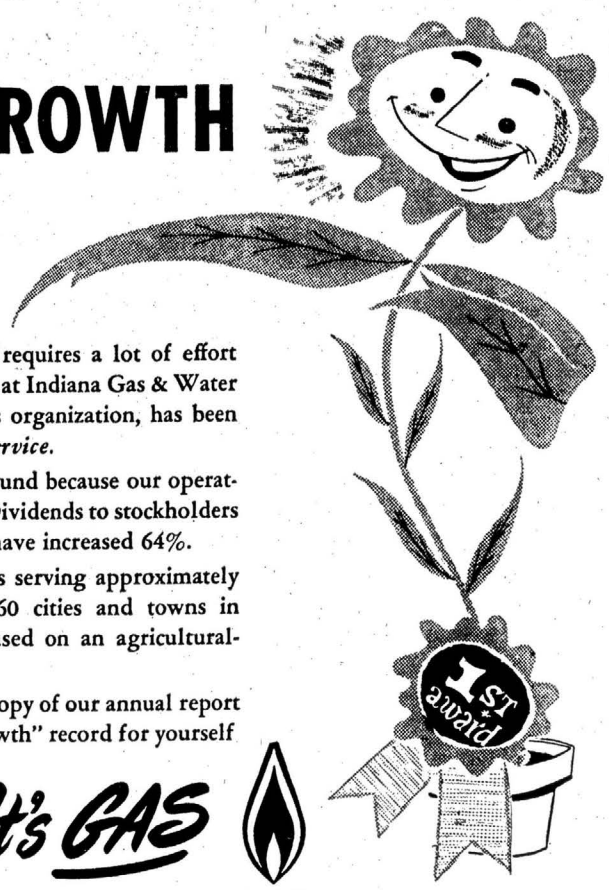
Cash and Due from Banks	$ 6,341,418.94	
United States Govt. Securities	9,716,246.14	
		$16,057,665.08
Other Bonds and Securities		764,054.61
Loans and Discounts		9,234,092.30
Bank Building and Equipment		195,090.36
Interest Receivable		49,954.28
Other Resources		7,403.69
Total Resources		$26,308,260.32

LIABILITIES

Deposits	$24,267,096.73
Dividend Payable January 1, 1957	15,000.00
Unearned Discount	479,134.36
Reserve for Contingencies, Taxes, etc.	70,384.33
Capital Stock	600,000.00
Surplus	400,000.00
Undivided Profits	476,644.90
Total Liabilities	$26,308,260.32

Member Federal Deposit Insurance Corporation

it's been a HEALTHY GROWTH



A healthy growth in any category requires a lot of effort with sound ingredients. The growth at Indiana Gas & Water Co., Inc., in these 11 years since its organization, has been built upon the principle of *good service.*

We know that this principle is sound because our operating revenues have increased 336%. Dividends to stockholders are up 100%, while our customers have increased 64%.

Indiana Gas & Water Co., Inc. is serving approximately 99,000 natural gas customers in 60 cities and towns in Indiana, each with an economy based on an agricultural-industry diversity.

We shall be happy to send you a copy of our annual report so that you can see our "healthy growth" record for yourself

It's Better... It's GAS

INDIANA GAS & WATER COMPANY, INC.

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Federal Reserve Bank of St. Louis

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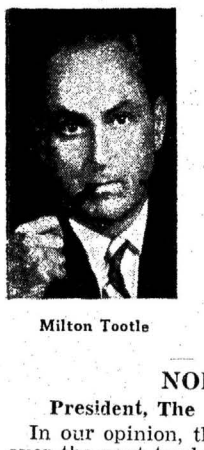
as well and interest rates are the highest in nearly a generation; and yet Federal is still shaking its finger rather than its fist. There are scattered signs that Federal may be winning its struggle to end inflation, but nothing decisive in this direction has yet occurred. Accordingly, the question raised a year ago remains unanswered, but I still think Federal will succeed and that the end of the boom is in sight.

MILTON TOOTLE

President, The Tootle National Bank, St. Joseph, Missouri



Milton Tootle

In our analysis, we believe that 1957 should be a very satisfactory year; with one reservation, we must have moisture as we serve a territory dependent to a large extent on agriculture. During the past few years, the lack of moisture has definitely had its effect.

Efforts to increase badly needed moisture for farming through cloud seeding and irrigation are in progress and should prove helpful.

I would appear, however, the banks serving this area are in excellent condition to serve the needs of their customers, and the demand for credit has not kept pace with the rest of the country.

We feel quite confident about our prospects for 1957.

NORFLEET TURNER

President, The First National Bank of Memphis

In our opinion, the outlook for banking in the South over the next twelve months continues to be favorable. Southern banks have been enthusiastic in their willingness to cooperate in furthering the trend of diversification which we have been experiencing over the last several years. As a result and because of national trends toward decentralization bringing some regional dispersion of deposits, many southern cities have become important banking centers. This has enabled the banks to better fulfill the credit requirements of the companies located in our area.

Norfleet Turner

Many of the southern states have, within the past few years, inaugurated commissions which devote their entire time to securing industry. These commissions, with each year's experience, have become more successful. This additional industry creates new jobs and new payrolls and these, of course, greatly aid in stimulating the growth of many of the small communities which play such an important part in the economy of our Southland.

Our section of the country, to a large degree, is yet dependent upon income produced from farming. Farmers are busy preparing the soil for new crops. All activities, of course, must be in keeping with the requirements of farm legislation. Net results from farming over the past few years have been relatively good and there is nothing in the picture now to indicate any great reduction in results from farm activity.

It is our opinion that the gross national product will rise to a new high this year along with the national income. With most of the barometers indicating continued good business, a prosperous 1957 seems to lie ahead for us. The South should enjoy more than a normal share in this prosperity.

G. W. VAN DERZEE

Chairman of the Board, Wisconsin Electric Power Company

Disregarding the ever-present possibility of momentary ripples in the economic picture of any industry, we feel that the future of the electric utility industry is bright indeed. All signs point to a period of many years during which our services will continue to play an increasingly important role in all phases of economic life.

Gould W. Van Derzee

At Wisconsin Electric Power Company, our plans for the years ahead are based on just such a premise. Our faith in a bright future for the electric industry was well demonstrated in 1956 when we made good progress on a long-range 10-year construction program begun in 1954. This program contemplates expenditures of more than $300 million to practically double the facilities needed to handle electric service demands which are also expected to double within that period.

Long-range forecasts are especially necessary in the utility business because of the inescapable fact that it usually takes three or more years to plan and construct a new power plant. The only way we can effectively discharge our obligation to the people we serve and maintain our competitive position is to spend money now—to prepare for business that we expect to get several years hence.

Accordingly, we announced plans in 1956 for a fifth generating unit at Oak Creek. The new unit will have a capacity of 250,000 kilowatts—more than double the capacity of any of the present units. Our 10-year program also includes plans for a second 250,000 kilowatt unit at Oak Creek. It is expected that ultimately four such units will be added, bringing the total capacity of the plant to a million and a half kilowatts. In order to transmit the output of such a plant to our utilization centers, it has also been necessary to begin carrying out plans for a system of 230,000 volt transmission lines and associated step-down substations. Tentative transmission routes have been determined, substation sites have been selected, and work is progressing on acquisition of necessary rights of way and substation property.

During 1956, Wisconsin Electric Power Company continued to take an active part in programs which seek to develop practical ways in which atomic energy can be used in the production of electric power. It is one of the 26 private utilities, manufacturing companies and engineering firms of the Power Reactor Development Company which is now engaged in building a pioneer commercial atomic power plant in Michigan at a site southwest of Detroit. It is expected that the plant, to be known as the Enrico Fermi Atomic Power Plant, will be ready for initial operational tests in 1960.

Expansion activities pose many problems that must be solved in the years ahead. While our services must necessarily increase in cost to a reasonable extent as the price of everything else advances, they must also retain their low cost when compared with other services or commodities defined in terms of value received for the price paid. The tremendous costs of utility construction programs will naturally place a noticeable burden upon the financial markets which supply the necessary funds but, with sound management and informed regulation, the long-term future of the electric utility securities market appears as bright as the future of the industry itself.

It is within the area of government competition and regulation that we must work for a favorable climate in which to conduct our business. We must continue to resist the efforts of public power advocates who would like to spend more and more of the public's tax money for projects which compete, on an unfair basis, with prvate industry such as—more TVA's, more multiple-purpose dams, more socialized power, more political power.

We must continue the great strides now being made by private industry in developing processes for producing electric power from the atom. We must resist the efforts of those who would obstruct the program and we must oppose legislation which would put the government in the business of building atomic power plants with the intention of selling power therefrom on a preferential basis to government agencies, municipal systems and the like.

We must inform people of the facts and depend upon their sense of fair play in defending the free enterprise system which has made America great. A "bright future" for the electric industry depends in no small measure upon the success of such efforts.

DR. GROVER D. TURNBOW

President, Foremost Dairies, Inc.

The dairy industry in the United States has had tremendous growth in the past 15 years and there is every indication that this growth will continue for many years to come. In analyzing the reasons for this growth, we find that in general it is due to the increased population of the country, an increased understanding of the value of dairy products in the diet and the development of foreign markets.

Dr. G. D. Turnbow

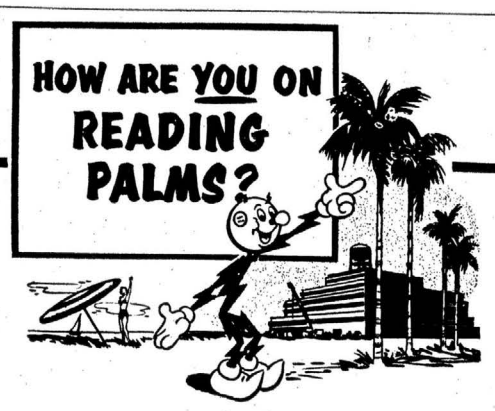
These combined factors point to a bright outlook for the industry in 1957.

During recent years, important contributions have been made to the industry through research which, in turn, has resulted in the development of new dairy products, better methods of merchandising and new markets. Expansion in new marketing areas will be pursued in the future and will bring about in time a gradual but important reduction of milk surpluses.

The dairy industry is vital, not only to the economy of our country, but to the health of the people. We, at Foremost, believe that communism and world strife will diminish in their importance when the underpriveleged people of the world are properly fed.

For this and other reasons, Foremost Dairies, in cooperation with various agencies of our government, has

Continued on page 122



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- Easy recruitment of needed manpower
- Growing markets, high buying power
- Friendly government, favorable taxes
- High worker morale, increased productivity
- Climate ideal for living and working
- Dependable electric power assured

Florida's full advantages for relocation or entirely new ventures can be fully realized only by extensive "on-the-ground" study We'll gladly assist in securing information from local sources. Let us know your needs. Address: Industrial Development Service, P. O. Box 3100, Miami 32, Fla.

HELPING BUILD FLORIDA

FLORIDA POWER & LIGHT COMPANY
MIAMI, FLORIDA

Economics Laboratory Com. Stock Offered

W. E. Hutton & Co. and Kalman & Co., Inc., as managers of an investment banking syndicate, on Jan. 15, offered 100,000 shares of the common stock of Economics Laboratory, Inc. at a price of $15 per share.

Net proceeds from the sale of these common shares will be applied toward the repayment of bank loans, and the purchase and installation of equipment and machinery for its plants in Chicago, California, and Lyndhurst (N. J.), and for a new plant which the company intends to lease in Dallas, Tex.

Economics Laboratory, Inc., with its general offices in St. Paul, Minn., and its principal sales and advertising offices in New York City, is engaged principally in the business of manufacturing and selling powdered and liquid detergents and cleaning agents for commercial dishwashing and household use. The company's products include: Super Soilax, Tetrox, Soilax, Finish, Electrasol and Soil-Off. Its manufacturing activities are carried on in six plants in the United States. The company believes that for several years it has been one of the leading producers of powdered and liquid detergents for use in the commercial dishwashing field.

For the fiscal year ended June 30, 1956, the company had net sales of $15,498,774 and net profit of $558,298, equal to $1.81 per common share.

Glickman Corporation

Louis J. Glickman,
Chairman

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The Future of Interest Rates

important in the United States. When the State taxes inheritances at high rates and uses the proceeds for current expenses, it is dissipating capital. But when the State taxes incomes and uses the proceeds in paying down public debt, it is creating new capital. The retirement of Government bonds puts into the hands of the bondholder funds which he will reinvest in industrial or railroad bonds or in other capital uses, and increases the supply of funds in the capital market in the same way that the savings of the individual consumer do. Our Federal Government had a magnificent record in this respect down to 1933. It had increase public debt down to that date only for war or for temporary emergencies, and had always promptly set about reducing the debt when the emergency was over. The one exception was the borrowing for the Panama Canal. For that we planned to borrow something like $300,000,000, but we did in fact borrow only $135,000,000 because fiscal surpluses provided the rest. All of our river and harbor improvements, all of our Federal public buildings, our Federal contributions to highways, our navy, our army posts—all were paid for out of taxes, rather than out of borrowing. Since 1932 the trend has been overwhelmingly the other way, and the Federal Government has been dissipating capital.

Careful Use of Fifth Source

The fifth source of capital is new bank money. To many of the older economists this doctrine would be anathema. How, it would be asked, can the mere interchange of two liabilities create capital? A borrower gives the bank his note, his liability, and in exchange the bank gives the borrower its liability, a deposit credit. How does this create capital? And yet for the borrower it is enough. Armed with the new deposit credit, he can go into the market and divert labor and existing resources from the production of hats and shoes to the production of a machine. He may, in the course of this, shorten the supply of consumer goods and force an involuntary abstinence on the part of the consumer, but a machine is created which would not have otherwise been created. If he gets the loan at a time when business is slack, he may even have the new machine without forcing any abstinence upon the consumer. It must be recognized that, held within limits, this is a real source of additional capital, and that properly handled is a safe source of capital.

This would have seemed very strange and weird to Adam Smith, who held, and properly in the circumstances of his day, that a bank could safely lend only for short-term purposes, could lend to the merchant or manufacturer only those funds which would be quickly returned by the sale of movable goods, and must lend no part of the funds needed for the forge or the smelting house. Only the individual capitalist who could wait many years for his money was justified in doing that.

But when the forge and the smelting house are represented by shares of stock or by bonds in thousand-dollar denomination, and when a broad and active stock market exists in which the shares or the bonds may be readily sold, the banker who lends against these as collateral may quickly get his money back, and the forge and the smelting house may come to the money market and get bank money.

One of the great essentials for economic progress is that capital should grow more rapidly than debt. When we examine the five sources of capital listed above, it is clear that the first four increase capital much more rapidly than they increase debt. Capital accumulated by individual thrift will increase debt if the saver buys bonds or lends on mortgage or puts his money into a savings bank. But if he uses his savings as proprietor's funds in an enterprise, or to build a home, or to reduce debt already contracted, or to buy corporate shares, he is not increasing debt. Corporate thrift increases capital without any increase in debt at all. Public thrift, taxation for capital purposes, including the paying down of public debt, means a growth of capital with a reduction in debt. Direct capitalization involves no creation of debt. On the other hand, capital created by expanding bank credit means a dollar-for-dollar increase in debt with the growth of capital. From this point of view, if from no other, it is obviously the source of capital to be used most cautiously.

The first four sources of capital are absolutely sound and wholesome. No country has ever overdone any of them. The doctrine of "over-saving" rests on a misinterpretation of phenomena growing out of excessive bank expansion. We have many times had too much bank expansion. We have never had any excess of capital created from the first four sources.¶

Credit and debt are identical. There is no creditor without a debtor, and no debtor without a creditor. Expansion of bank deposits is the creation of debt, the debts of the banks to the people or their government in exchange for the liabilities of the people or the government. The ability of the banks to repay their debts depends upon the quality and liquidity of the debts which the banks take in exchange. An immense expansion of bank credit almost inevitably means a deterioration in the quality and liquidity of the assets of the banks, namely, the debts against which they have expanded their own debts.

This is true even when bank credit is expanding against debts created for productive purposes. When bank credit is expanding as a substitute for the savings of the people in financing war and destruction, and when the assets of the banks rest primarily on the future taxing power of the government, caution is obviously indicated. Excess here has been the typical breeder of "inflation" through all modern history. Usually it has been bank notes of central banks of issue. But deposits are also demand liabilities, and are also susceptible to abuse.

Perspective on this is given by some comparative figures. In the last war, between mid-April, 1917, and December 31, 1918, we expanded commercial bank credit in the United States by 5 billion 800 million dollars in deposits and 7 billion in loans and investments. We pursued a very conservative financial policy in the last war. The money market was firm. Every effort was made to hold down bank expansion. The government made interest rates on bonds which attracted the people's money. The great bulk of the public debt was placed with the people rather than with the banks. This expansion of bank credit was adequate to win the war.

In the period from June 30, 1922 to mid-April, 1928, without any need for it, but as the result of cheap money policies on the part of the Federal Reserve system and of in-flowing gold, we expanded commercial bank credit in the United States by 13½ billion dollars in deposits and by 14½ billion dollars in loans and investments. The effect of this was to mask the underlying shortage of real capital from the four normal sources of capital in a world which had spent four years in war and four more years in waste and disorganization after the war. The world ought to have had high rates of interest (a) to compel economy in the use of such capital as was available, and (b) to encourage additional saving. But on a vast scale, we substituted bank expansion for savings, pulling down interest rates. We created a great deal of physical capital in the world, but we created also an unmanageable debt, which first generated the high interest rates of late 1928 and 1929, and subsequently brought about the demoralization of 1931 and 1932.

We are now expanding bank credit against government securities on a scale which makes the 1922-28 episode look very modest, and we are maintaining absurdly low interest rates while we do this. How far can we go?

Techniques Are Not New

I have heard the view expressed that we now have new techniques which make this safe. I see very little in the way of new techniques. I see rather an altogether exaggerated employment of old techniques. In the matter of open market operations by the Federal Reserve banks, for example, in the last war we used them for a few days at a time to facilitate the flotation of each of the four great Liberty loans. In connection with each of the first three Liberty loans the Federal Reserve banks bought some tens of millions of government securities and held them for a few days to grease the wheels while the great loan transactions were put through, adding for a few days to the reserves of the member banks to prevent an undue tension in the money market. In connection with the fourth Liberty loan of 7 billion dollars, the transactions were larger, exceeding 200 millions of dollars, but again only for a few days. The Federal Reserve banks were not continuous holders of government securities at any stage of the last war.

In 1924 and 1927 the Federal Reserve banks bought several hundreds of millions of government securities and held them for many months, generating an altogether startling increase in the volume of bank credit.

In the present period the Federal Reserve banks have bought government securities in terms, not of tens of millions or of hundreds of millions, but of billions, replenishing the reserves of member banks and permitting them to expand credit of low rates of interest against government securities. Between February of 1942 and April of 1943 the Federal Reserve banks bought over $4 billion of government securities, the monthly average figure for February 1942 being $2 billion $249 million, and the monthly average for April of 1943 being $6 billion $372 million. This is no new technique, but the vast scale of its use makes one ponder.

In the last war Federal Reserve rediscount rates were held below the market to facilitate war financing, but they followed the market up as the war went on. The New York Federal Reserve Bank placed its rediscount rate at 3% in 1917, moved it up to 3½% at the end of the year and to 4% early in 1918, still holding it, however, below market rates. At the present time the Federal Reserve rediscount rate is one-half of 1% for advances secured by government obligations maturing or callable in one year or less. Here again there is no new technique, but merely an extreme application of an old one.

Reserve Requirements

The Federal Reserve authorities now have power to reduce the reserve requirements of the member banks and they have already done this so far as New York and Chicago banks are concerned. But in the last war we reduced member bank reserves by Act of Congress in 1917. There is no new technique here, though the power to go very much further in this connection is in the hands of the Federal Reserve system, and those who see no reversal of Federal Reserve policy with respect to money rates are anticipating that it will be fully used. I believe that there is no validity at all in the contention that new techniques have made the abuse of bank credit safe.

I have seen calculations which would indicate that the capacity of bank credit to expand and to take government bonds is very great, if no question is raised as to the credit of the government and if there are no currency disorders. By pushing the capacity of the Federal Reserve banks to expand to the legal limit, which would pull down their reserves to 40% against notes and 35% against deposits, great additions can be made to the reserves of the member banks. It is to be observed, however, that this leeway is being used up rapidly. The ratio of total reserves of the Federal Reserve banks to note and deposit liabilities combined stood at 90.4% in April of 1942 and at 75.8% in April of 1943. Moreover, excess reserves, which stood at nearly $7 billion in early 1941, dropped below $1½ billion on June 23, 1943. We are using up ammunition very fast. It is technically possible to go a great deal further, however.

Further reduction of the reserve requirements of the member banks can make further expansion possible, particularly since the reduction of the reserve requirements increases the multiple of expansion against excess reserves. But it can hardly be contemplated that we will push the Federal Reserve ratios to the legal limits, or member bank reserve requirements to the lowest legal limits, when we face the probable withdrawals of refugee gold in the postwar period, and the need for flexible bank credit in the postwar readjustment.

There are indeterminate elements in these calculations. One

Continued on page 123

¶"Eating the Seed Corn," *Chase Economic Bulletin*, May, 1936, pages 30-37.

Commercial State Bank
and
Trust Company of New York
formerly Modern Industrial Bank

STATEMENT OF CONDITION
December 31, 1956

RESOURCES

Cash on Hand and Due from Banks	$ 22,549,714.55
U.S. Government Securities	24,483,908.23
Other Bonds and Securities	1,246,202.25
Loans and Discounts	56,549,358.07
Accrued Interest Receivable	119,180.74
Customers' Liability for Letters of Credit and Acceptances	632,636.33
Furniture, Fixtures and Improvements	849,457.26
Other Assets	185,564.33
	$106,616,021.76

LIABILITIES

Deposits		$ 96,651,087.21
Unearned Discount		907,335.47
Liability for Letters of Credit and Acceptances		632,636.33
Dividend Payable January 10, 1957		42,905.50
Reserved for Taxes and Interest		184,785.35
Other Liabilities		476,653.92
Capital Funds:		
Capital Stock	$2,145,375.00	
Income Debentures	3,750,000.00	
Surplus and Undivided Profits	1,661,242.98	
Reserves	164,000.00	
		7,720,617.98
		$106,616,021.76

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established milk production plants in many parts of the world. We hope in 1957 and in the future to continue this expansion.

This is one way to use our milk surpluses and, at the same time, the dairy industry shall be contributing to the peace and the welfare of the world.

Research in recent years has shown us many new uses of dairy products and for milk components formerly wasted. Research and development to find new uses for dairy products will continue to be priority projects in 1957.

It is difficult to predict at this time what world conditions will be in 1957. But I, like millions of other Americans, have confidence in our Administration and know that every effort will be made to keep peace among nations of the world.

CARL W. ULLMAN

President, The Dollar Savings and Trust Company, Youngstown, Ohio

Business again had an extremely good year in 1956. The high rate of activity brought a strong demand for bank credit and long-term investment capital. This condition caused money to remain tight and interest rates to move higher. The Federal Reserve Board, recognizing the danger of inflationary pressures brought about by the heavy demand for credit coming from large business expansion and the high rate of consumer goods sales, followed a restrictive credit policy.

Carl W. Ullman

While business should continue to be good this year, there are some factors which are disturbing. The international situation remains acute and it is clear that aid to foreign countries and military expenditures necessarily will be large. There is little likelihood of lower taxes. Then, too, the substantial increase in business volume the past years has been supported by a rising wage-price spiral and greater debt. It appears that this cannot go on indefinitely and that when and if the increase in private debt slows down, it will have a restraining effect on business. We also know that the inability of people depending on fixed incomes to meet the rising cost of living will result in a contraction of their buying power. Any dislocation of purchasing power can affect our economy.

Even though some resistance to prices might develop, there is a steady increase in our population and many people who formerly had modest earnings now have larger earnings and are in the market for more goods and services, for luxuries as well as necessities. So it does not seem likely that total consumer spending will drop to any great extent. It may even be that total consumer spending will increase. No one can know for certain what will happen since the wants, needs and fears of people generally will determine what is to come.

J. C. VANDER PYL

Chairman of the Board, American Machine and Metals, Inc.

This company's business operations are concerned with the manufacture and sale of three distinctly different groups of mechanical and electrical equipment and appliances for industrial, commercial, institutional and domestic use; also with the mining and concentration of certain nonferrous metallic ores. In the order of their importance, with respect to annual sales volume and earnings, they are:

John C. Vander Pyl

(1) Pressure, flow and temperature-sensing guages and instruments for the indication, recording and control of operating conditions in a wide variety of industrial and domestic machines and appliances; for automatic guidance of processing sequences in manufacturing; for various purposes in aircraft and for numerous other applications.

(2) Fractional horsepower motors in a range of sizes and types for a host of small machines, portable tools and appliances.

(3) Industrial machinery and equipment for various purposes such as space ventilation and fume removal; for liquids-solids separation by several different filtration methods; for scientific testing of the strength and other physical properties of the materials of construction and manufacturing; for commercial and institutional laundering.

(4) Mining and concentration of manganese, zinc, lead and silver bearing ores.

These diversified lines are produced and marketed through eight integrated divisions and two separate, but wholly owned, subsidiaries operating on a nation-wide scale and in a number of foreign countries. Their combined volume of production and sales in 1956 amounted to about $40,000,000.

The foregoing statements give an idea of the extensive business relations and acquaintances that we have within a great many different kinds of industries and business organizations, including those to which our products are sold, but not forgetting those upon which we rely as suppliers of raw materials and component parts used in the manufacture of our own products. Among them are numbered a great many of the important manufacturers, processors, scientific laboratories, transportation companies, construction firms, hotels, hospitals, institutions, etc., of this and other countries. With but a few exceptions, our customers and suppliers expect continuation, in 1957, of the active and favorable conditions that have generally prevailed throughout 1956 in the businesses in which they are engaged. Their production, financial and marketing planning pretty well reflect confidence in this expectation. Their provisions for capital expenditures generally support their convictions.

Our appraisement of our own sales volume prospects for 1957, fortified by an opening backlog of unfilled orders equal to approximately half of our entire sales volume in the year lately ended, indicates the likelihood of an increase of around 10%, provided that nothing of serious consequences to international relations, such as war or drastic interference with commercial intercourse occurs to check the mostly favorable economic trends in North America. Our existing unfilled order backlog does not reflect appreciable increase in product pricing in 1956; it seems likely however that some upward adjustments will have to be made, as the new year advances, to compensate somewhat for increasing costs of labor, materials and expenses incurred in production of our goods. With moderate price increases together with improvements of product designs, materials usage and manufacturing procedures, also through more elaborate tooling and replacement of older production machinery with more efficient models, it is hoped that a profit margin can be maintained to equal that enjoyed in 1956, which was quite favorable. Earnings in 1956 should be in the vicinity of $5.80 per share.

While financing costs are up a little, tending to make the employment of borrowed capital more expensive, this seems to pose no great problem for wisely and efficiently managed businesses. On the contrary, it is likely to prove beneficial as a restraining influence on ill-considered and too speculative expansion of credit and facilities.

This company's production and financial planning for the next few years is founded on expectations of fairly steady growth of population in this country that should create heightened demand for goods and services of many varieties. With our diversified products we have ample opportunity to participate indirectly in supplying the end-products to satisfy such growing demand. The high degree of employment and earnings that is prevalent, creating abundant purchasing power which a solicitous government and enlightened and ambitious industrial and social leadership will strive to perpetuate by all means possible, are other circumstances favorable to the strength of American economy. Both government and privately administered pension funds, unemployment funds and other sources of financial aid for retired and unemployable people, should help in maintaining a fair amount of purchasing power in these classifications. Advances in technology devoted to the development of new products and services are likely to stimulate additional demand and consumption that should create more opportunities for profitable employment of both workers and capital. This company is constantly engaged in research and product development activities, maintaining modern laboratory facilities and a corps of competent engineering and scientifically proficient personnel for that purpose. Besides all this, government expenditures for both military and civilian purposes are expected to be more voluminous in 1957, and for some years thereafter, than they were in 1956. This company has always been an active supplier of government requirements and expects that 25% or so of its 1957 sales volume will be for government account.

Construction of an additional manufacturing building at our Guage and Instrument Plant in Sellersville, Pa., is to be undertaken in 1957. It is to be equipped with the most modern production machinery and materials handling apparatus. It will afford approximately 167,500 square feet of additional floor area to the plant, to relieve severe existing congestion resulting from steady growth of our instrument business. Besides providing accommodations for further business growth, it will afford attractive opportunities for cost reduction in the manufacture of guages and instruments. Approximately $5,000,000 will be spent for this project and for the alteration of older buildings of the plant to improve the quantity and quality of their output as well as their production costs. When this work is completed, the company's factories will have about 1,100,000 square feet of floor area for manufacturing purposes. The company, including its subsidiaries, employs about 3,300 persons at present and its payrolls in 1956 amounted to over $15,000,000.

H. W. VON WILLER

President, Erie Railroad Company

When the final figures for the year 1956 are available, the Erie Railroad will show a modest gain in net income over 1955 despite wage increases, strikes in other industries, and increased costs of all kinds. We expect our net income will be about $8,100,000, equal to earning $3.03 a share on common stock, compared with $7,892,000, or $2.97 a share in the previous year.

Harry von Willer

This improvement in earnings was achieved even though there were such adverse factors as a 34-day strike in the steel industry this summer, an increase in employee wages effective Nov. 1 with no compensating increase in freight or passenger rates, and a sizable increase in tax accruals due to increased payroll taxes and reduced Federal income tax benefits resulting from accelerated amortization.

We are not satisfied with these results, however. While much progress has been made, a great deal more still remains to be done if we are to move forward with a growing population and an ever-increasing industrial economy.

Capital expenditures which the Erie has made for property improvements amounting to $172 million in the past ten years have provided us with a good foundation for more economical operations. They have helped to cope with constantly rising costs and enabled us to maintain steady employment for our employees and continued dividends for our shareowners. But even with these sizable expenditures, the needs for further improvement and modernization are as great if not greater than in the past.

The big question is where is the money to come from to do the job. Much of the answer lies in two areas; the first, and more immediate of accomplishment, would be a prompt and favorable decision by the Interstate Commerce Commission on the request which is now before it for a 15% increase in freight rates which would enable the railroads to earn a fair and reasonable return on the capital employed in providing the service. Unless this request is granted, the railroads will find it necessary to curtail, or cancel, many of their capital improvement plans. Under such conditions, it is obvious that future progress will be impaired and the railroads' ability to improve service and provide the equipment needed to meet the demands of the future, will be restricted. I sincerely hope that will not be the case.

The other, equally important, is the need for a revision in our national transportation policy so as to place all forms of transportation on an equal footing in competition for traffic. Any policy is basically wrong which prohibits a carrier from using its inherent advantages to the fullest extent in serving the public at the lowest possible cost.

The future strength of our country's transportation system, which includes all carriers, depends upon the adoption of legislation that will recognize the principle of competitive pricing; in other words, the freedom to charge rates which will attract the traffic and still cover the cost of providing the service. The public would benefit greatly by such a policy.

The prospects for railroad business in the coming year are bright. However, we cannot rely solely on an ever-expanding economy to produce greater traffic volume. The basic problems I have mentioned must be corrected if the railroad industry is to reach the full potential of which it is capable.

In the meantime, however, we are steadily moving ahead to improve and strengthen our property so as to provide better service for our customers with greater efficiency and economy. On the Erie, we have been working in the area of increased industrial development, extension of piggy-back service, specialized equipment to meet shippers' needs, mechanization of track machines, coordination of duplicate facilities with other railroads, electronic accounting machines and other service improvement and cost saving methods.

As we enter the new year, most indicators of business activity are at higher levels than their average during 1956. The momentum of this higher level is definitely a favorable factor. Plant and equipment expenditures should continue to be a bolstering influence. All signs point to a higher level of automobile production than in 1956 and because of the loss in steel production this year due to the steel strike, we may expect an increase in that sector.

We believe these factors should produce a year of relative stability near levels of the last quarter of 1956. We, therefore, anticipate a moderate increase in freight traffic volume in 1957 somewhere in the neighborhood of 3%.

The increase in dollars will be greater, however, because of an emergency increase in freight rates recently granted to balance off increased wage rates, material prices and related items of expense. We strongly hope the Interstate Commerce Commission will act promptly on the railroads' request for a further increase in rates to allow a reasonable rate of return and attract the new investment capital that is so urgently needed. With an adequate rate level we can look with confidence to a

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The Future of Interest Rates

must forecast the extent to which money in circulation will increase as the process goes on, which would pull down the magnitude of the expansion, and one must make assumptions regarding the volume of private loans that the banks will be called upon to make if a great rise in prices comes and the industries are obliged to turn to the banks to increase their working capital funds. At the moment such loans are going down, because the government is financing so much of the industrial expansion.

Keynes Reversed Himself

There are advocates of cheap money policy who would rest their position on the doctrine of J. M Keynes, who rejects entirely the so-called "classical theory" of interest, who rules out time preference and compensation for waiting in the explanation of interest, and makes the whole determination of the rate of interest rest on liquidity preference as against the supply of money. If only money can be made plentiful enough to glut sufficiently the desire for hoarding on the part of those who wish to remain liquid, interest can be held at any desired low figure, according to the Keynesian doctrine. I regard this doctrine as an absurd exaggeration of one factor in the theory of capital and interest which I have given above. But to those who believe in the Keynesian theory, I would point out that Keynes has himself abandoned it. In his book, *The General Theory of Employment, Interest and Money*, page 167, he states the theory, and indicates explicitly in a footnote that the theory applies not merely to short-term rates, but also to the complex of various rates of interest for different periods of time. But by page 197 of this same book, he complains that the open market operations of the Federal Reserve banks in the United States in 1933 and 1934 were limited to the purchase of very short-dated securities, the effect of which may "have but little reaction on the much more important long-term rates of interest." On pages 205 and 206 he suggests that the monetary authority be prepared to deal in debts of all maturities and even in debts of varying degrees of risk. He concludes, "Perhaps a complex offer by the central bank to buy and sell at stated prices gilt edged bonds of all maturities, in place of the single bank rate for short-term bills, is the most important practical improvement which can be made in the technique of monetary management."** This, I submit to the Keynesians, is a complete abandonment of the theory that the supply of money in relation to liquidity demands can govern both long and short term rates of interest. And I would call their attention further to Keynes' warning on page 207 as to what happens to the rate of interest when a flight from the currency comes.

I think that there are two objections prominent in the minds of men who hesitate, when the suggestion is made that the Treasury ought to make rates of interest that will attract investor's funds, and that the Federal Reserve system ought to tighten the money market to limit bank expansion. The first is concern as to what would then happen to the banks which now hold long-dated governments. On this point, I would say that this problem becomes greater and less easily manageable the longer we defer it. The solution which I have offered for it is that the banks holding long-dated governments be allowed to subscribe for the new higher yield issues with their old bonds, on terms somewhat less favorable than those given to cash subscribers, say at 98% of par. There may be better solutions, but in any case we should have one ready.

Must Lengthen the Debt

The second objection relates to the interest charge on the public debt in postwar years. If the Treasury were using the existing easy money to place long-dated bonds with investors, the point would have merit. But when the Treasury is financing itself so largely, so far as investors are concerned, with war savings bonds which are in effect demand deposits after a short time, and when, looking at the whole picture, it is clear that the Treasury must refund a great deal of its debt in a comparatively few years, the point seems to have no validity. We had better face the realities of the future interest burden now. Facing its realities would give immense impetus to the move for economy in spending even in the midst of war, and in particular might make the Treasury a strong advocate of doing away with the 40-hour week for the duration of the war, and of 50% overtime payments beginning at 40 hours in work on government contracts as well as elsewhere.

I think that the Treasury can get a great deal of money from the people at interest rates below those at which we sold Liberty bonds in the last war. Those rates, beginning at 3½% on a fully tax free bond in the first Liberty loan, went up to 4¼% on a partially tax exempt bond in the fourth Liberty loan. The immense bank expansion which has already taken place has created vast sums of idle money owned by the people which the government can now get at moderate rates of interest. Patriotism by itself won't take bonds with present low coupons in adequate quantity, but patriotism, plus vigorous bond selling by alert local committees, plus coupon rates intermediate between those on the Liberty bonds and those now prevailing would get a great deal of investor's money. The rates might have to rise progressively, but could still be kept moderate, if we have a prompt facing of financial realities. I think that the Treasury should move promptly to fund its debt into long-time bonds in the hands of the people while unused bank deposits are so great, and while moderate coupon rates are still possible. I think, too, that such a return to financial orthodoxy would greatly strengthen the fabric of confidence in government finance, in the future of the currency, and in the whole economic picture.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George H. Pendergast has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

**Something like this may now be part of Federal Reserve policy. See *Federal Reserve Bulletin*, July, 1943, page 590.

Spar-Mica Securities Offer Oversubscribed

Hamlin & Lunt and Allen & Co. announced on Jan. 15 that their offering of units of 250,000 shares of 5% convertible preferred stock and 500,000 shares of common stock, of Spar-Mica Corp. Ltd. has been oversubscribed and the books closed. Each unit consisting of one share of 5% convertible preferred stock and two shares of common stock, was priced at $6 per unit.

Net proceeds from the financing will be used by the company to pay a portion of its construction and expansion program.

The 5% preferred shares are convertible at the option of the holders into common shares at the rate of five shares of common for each share of preferred stock.

Spar-Mica Corp. Ltd. with its principal executive office in Montreal, Quebec, Canada, was formed for the purpose of mining, milling and marketing feldspar for the glass industry and the ceramic industry, and also, as a by-product, flake mica for the paint and roofing industries. The company has been engaged for the past 15 months in a program of construction for mining and milling feldspar at Cape Feldspar, in Quebec, and grinding at Camden, N. J., and a program of improving the milling facilities of a subsidiary, The Golding-Keene Company near Keene, N. H. Golding-Keene is presently mining, milling and marketing feldspar and has done so for more than 30 years.

FIC Banks Place Debs.

Offering was made yesterday (Jan. 16) of approximately $92,000,000 of Federal Intermediate Credit Banks 3⅞% debentures, dated Feb. 1, 1957, and maturing Nov. 1, 1957, John T. Knox, fiscal agent, has announced. Priced at 100%, the debentures are offered through a nation-wide group of underwriters.

The proceeds from the sale of the debentures will be used to redeem $67,000,000 of 3½% debentures maturing Feb. 1, 1957, and for lending operations, Mr. Knox said.

Joins Campbell, McCarthy

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harry E. Reeves has joined the staff of Campbell, McCarty & Co., Inc., Buhl Building, members of the Detroit Stock Exchange.

With Livingstone, Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald J. Brady has become associated with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

COUNTY BANK AND TRUST COMPANY

Paterson, Passaic, Little Falls, and West Paterson New Jersey

Statement of Condition

as of close of business December 31, 1956

Resources $132,380,032.88

ASSETS

Cash	$20,365,268.77
U. S. Government Obligations	25,255,569.66
State and Municipal Obligations	13,895,543.52
Other Bonds and Securities	614,215.69
Mortgage Loans —	
Insured or Guaranteed	27,493,188.63
First Mortgage Loans	15,840,463.54
Loans and Discounts	25,755,401.66
Banking Houses	1,961,546.61
Furniture and Fixtures	464,779.54
Accrued Income Receivable	511,281.17
Other Assets	222,774.09
TOTAL	$132,380,032.88

Amounts shown are net, after deducting Valuation Reserves

LIABILITIES

Deposits	$119,890,390.59
Reserve for Taxes, Accrued Interest, Expenses, etc.	611,786.75
Discount Collected, Not Earned	879,938.50
Dividends Payable	122,740.95
Other Liabilities	569,932.14
Common Stock $2,700,000.00	
Surplus 4,500,000.00	
Undivided Profits 3,105,243.95	
Total Capital Funds	$10,305,243.95
TOTAL	$132,380,032.88

In addition to the above, assets held in the Trust Department total $34,063,215.86

C. KENNETH FULLER, *Chairman of the Board*

JOSEPH F. HAMMOND, *Vice Chairman of the Board*

COWLES ANDRUS, *President*

NORMAN BRASSLER, *Executive Vice President*

C. WELLINGTON DEY, *Executive Vice President*

10 Convenient Offices

PATERSON, N. J.
PASSAIC, N. J.
LITTLE FALLS, N. J.
WEST PATERSON, N. J.

County Bank

AND TRUST COMPANY

Member Federal Deposit Insurance Corporation

CHICAGO TITLE AND TRUST COMPANY

BALANCE SHEET *As of December 31, 1956*

ASSETS	
Cash	$ 6,317,593
Marketable Securities	
Bonds (at amortized cost)	
U. S. Government Obligations	4,323,333
State and Municipal Bonds	18,104,536
Other Corporate Bonds and Notes	872,874
Stocks (at market)	
Preferred Stocks	1,897,237
Common Stocks	8,147,792
	$33,345,822
Bonds (at amortized cost) Pledged to Secure Trust and Escrow Cash Balances	
U. S. Government Obligations	22,272,998
State and Municipal Bonds	4,467,845
	$26,740,843
Total Marketable Securities	$60,086,665
Other Assets	
Accounts Receivable (less reserve)	1,585,847
Sundry Loans and Investments	739,177
	$2,325,024
Real Estate (at cost)	
Chicago Title and Trust Building Corporation	5,500,000
Other Real Estate (less depreciation)	761,133
	$6,261,133
Stocks of Associated Title Companies (at cost)	879,045
Title Records and Indexes	1,900,000
Total Assets	$77,769,460
LIABILITIES, RESERVES and CAPITAL	
Accounts Payable	$ 208,099
Accrued Taxes Payable	1,893,392
	$2,101,491
Cash Deposits as Indemnity Against Specific Title Guarantee Risks	4,487,367
Trust and Escrow Balances, Secured by Pledged Securities	26,291,697
Reserves	
For Losses and Contingencies	4,813,232
For Market Fluctuation of Securities	6,787,896
Unrealized Appreciation of Stocks	3,732,154
	$15,333,282
Capital	
Capital Stock—Authorized 650,000 Shares at $20 Par Issued 1956—604,302 Shares; 1955—600,000 Shares	12,086,040
Surplus	12,000,000
Undivided Profits	5,469,583
	$29,555,623
Total Liabilities, Reserves and Capital	$77,769,460

Assets in the amounts provided by statutes of Illinois have been pledged to qualify the Company to do business and to secure trust and escrow cash balances.

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Bank of St. Louis

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further improvement in railroad progress and earning power.

The fundamental economics of railroading as a mass transportation medium are so essentially sound that we cannot help but be optimistic about the future.

W. J. WEBB

Vice-President, Outboard Marine Corporation
Division Manager, Evinrude Motors

This new year of 1957 will see the fiscal horizons of the outboard boating industry extend to the billion dollar mark.

With 16,000,000 outboarding fans already supporting the nation's biggest dollar volume participation recreation and thousands more joining the fun annually, the industry will substantially surpass its all-time record sales of 1956.

W. J. Webb

Approximately 700,000 outboard motors will be sold in 1957 for a dollar volume of $280,000,000, thus topping last year's record of 600,000 units which retailed for $226,000,000.

Evinrude Motors showed a 35% gain in dollar volume in 1956 and we anticipate a hike in 1957 of at least another 25%.

The sale of boats exceeded 300,000 units for $112,000,000 in 1956. This year the industry anticipates record boat sales based on a steady, annual increase which began in 1946 with sales of 143,000 units.

More than 150,000 boat trailers were sold last year for more than $24,000,000. The trailer market, which has been soaring each year since its first big year in 1946 when about 3,000 were sold, sees a substantial increase in volume dollar sales in 1957. More than 175,000 trailers will be sold in 1957.

At the present rate, total sale of boats, trailers, water sports equipment, marine hardware and accessories in 1957 will be close to $440,000,000.

Added to this will be an estimated $90,000,000 for marine fuels and lubricants, plus additional millions of dollars in storage, anchorage, service and maintenance fees.

The vigorous sustaining power of the outboard boating industry, particularly with outboard motor manufacturers, was seen clearly by Evinrude Motors when its entire 10-motor, 1956 line was bought out by June 1.

Also, recent market research indicated that a single outboard sale by an Evinrude dealer resulted in additional expenditures by the new motor owner of approximately $625 for boat, accessories and equipment.

The trend toward higher horsepower was the dominant factor in 1956 sales. The largest single buyer segment, 38%, purchased motors of 12 or more horsepower.

To keep pace with the unprecedented consumer demand by the country's leisure and boating-minded buyer, our Evinrude plant in Milwaukee is engaged in a multi-million dollar plant expansion program.

The 1956 outboard motor sales increased the number of motors now in use in the country to some 5,000,000.

This outboard motor population has shown a steady increase in higher horsepower preference by shoppers. In 1947, for example, 87% of the motors sold were seven horsepower or less. Today, more than 75% of all motors sold are seven horsepower to 35 horsepower.

HON. SINCLAIR WEEKS

Secretary of Commerce

On balance I expect 1957 to be a better year than 1956.

The prospect for the next six months is bright. The foreseeable trends indicate that good times for the American people should continue through the entire 12 months with over-all employment, income and production higher than this year. In view of the economy's present high pace, the rate of expansion may not be so fast as now but, barring grave emergency, the economy, as a whole, should set new records.

Sinclair Weeks

Prosperity is widely shared. Confidence is strong. People are earning more and spending more. Capital investment is at a high level. The Administration promotes opportunities for individuals throughout our economic system. Feet-on-the-ground optimism is warranted by facts.

In looking toward 1957, we must, however, keep in mind that prosperity is not automatic. It must be earned by wise planning, sound action and hard work. Government, business, labor and consumer all have a responsibility in fostering healthy growth and in avoiding attitudes encouraging to an inflationary boom or other excesses.

Such an approach will surely consolidate gains made this year and promote further progress at a moderate but gratifying rate. In my opinion we can enter the New Year with confidence.

FREDERIC B. WHITMAN

President, Western Pacific Railroad Co.

Although the year 1956 has been a very good one for business generally and there has been some talk of things "slacking off" I, for one, am looking for 1957 to be slightly better.

F. B. Whitman

I base this belief largely on the fact that the coming year should be relatively free from major labor disputes and strikes. The long-term labor contracts which have been signed during the last two years in the automobile and steel industries cost a high price as well as assuring at least three years more spiraling inflation through the yearly increases provided. That high price can only be justified because of the assurance of uninterrupted production.

As to the outlook for Western Pacific during 1957 I am optimistic. I expect our gross revenues to exceed those for this year and I expect that our net will be considerably higher. This prediction again gets back to the factor of uninterrupted industrial production which seems to be assured and also rests on similar assurances of continuity in the railroad industry based on long term agreements recently concluded with most of the Railroad Brotherhoods. Mention could also be made of some $4 million in storm damage to Western Pacific and its subsidiaries from the unprecedented winter a year ago the like of which we certainly hope never to experience again.

While we are disappointed and certainly somewhat puzzled that the Interstate Commerce Commission saw fit to allow the western railroads only a 5% increase in freight rates while giving the Eastern roads the 7% both groups asked for, the increase approved will just about balance the higher wage costs awarded in the new contracts.

In these days when the prices of almost everything that industries and people buy are going steadily up it is our feeling that there cannot be any legitimate protest against modest raises in freight rates. Since 1939 the general wholesale commodity price level has gone up 101% while during the same period rail revenues per ton mile have only increased 41%.

I. W. WILSON

President, Aluminum Company of America

Vigorous sales promotion in all markets, technical advances through research and development, and a plentiful supply of metal are expected to provide additional impetus to the presently tremendous acceptance of aluminum. Alcoa's own production of primary aluminum rose during 1956 to an all-time high of approximately 750,000 tons, or about 7% above the output for the previous year. During the next 12 or 15 months the company will largely complete smelting facilities now under construction, to achieve a total installed annual capacity of 962,000 tons.

I. W. Wilson

Confident of the future, Alcoa, in 1956, announced a program for progress involving possible capital expenditures of about $600 million over a five-year period extending through 1960.

Building construction outstripped the transportation field for the second consecutive year as the largest market outlet for Alcoa and for the industry. The metal curtain-wall building, which Alcoa pioneered a few years ago, is gaining greater acceptance each month. Aluminum uses also are advancing rapidly in the virtually untapped field of residential construction.

Alcoa's many years of development work on automotive applications likewise is reflected in aluminum's increased utilization in automobile, truck-trailers and buses. Some 1957 passenger cars utilize nearly 200 pounds of the light metal, and average individual usage increases substantially from year to year on the new models.

Similarly, the potential looms large in such established fields as consumer durable goods and electrical machinery and equipment.

Intensive merchandising effort meanwhile is being directed to such relatively new areas as highway construction applications, oil field and irrigation pipe, pole barns and farm gates, heating and ventilating equipment, packaging and containers and a host of other promising outlets.

During 1956 the company launched a vigorous program to promote Alcoa Wrap for household use, and for general packaging and industrial applications. It also sponsored independent research to prove the superiority of aluminum-clad insulation for new homes. The research findings now are being told nationally to home builders.

As the year closed, Alcoa announced its FORECAST program to commission leading designers in all fields to create new and useful things of aluminum for an era of better living, now and in the future.

Ground was broken in 1956 for a major alumina plant at Point Comfort, Texas, and construction is underway. New Alcoa smelting facilities brought into production during the year included two additional potlines at Rockdale, Texas, and additional pots at the Wenatchee (Wash.) works. Construction meanwhile was started on a 150,000-ton smelting plant near Evansville, Ind., and on an additional potline at Point Comfort. Both faciilties are expected to produce metal early in 1958.

Also in progress is work on two new potlines at the Massena (N. Y.) smelting works to utilize power from the St. Lawrence project of the Power Authority of the State of New York. They will partially replace older facilities, no longer operable after Alcoa's own hydro-generating facility is shut down as a result of construction of the St. Lawrence project.

Building of a new dam and hydro-electric facilities at Chilhowee, Tenn., is nearing completion, and the project is expected to produce power in June for the Alcoa, Tenn., smelting operations.

Alcoa meanwhile has ordered a 14,000-ton extrusion press as a privately-owned mate for similar equipment owned by the Air Force and operated by the company at its Lafayette, Ind., works. Installation of the new press at Lafayette is expected in 1957.

An 8,000-ton forging press has been put into operation at Alcoa's Vernon (Calif.) works, and plans have been consummated for the installation of a 5,200-ton extrusion press at the same location. Meanwhile, a 4,000-ton extrusion press now is being installed at the Cressona (Pa.) works. Also due to be completed in 1957 are expansions of sheet and foil rolling facilities at the Davenport (Ia.) and Alcoa (Tenn.) works.

Before another year-end, the company plans to start construction of a new die casting plant near Metuchen in Edison Township, N. J. Within three years the new facility will absorb all operations of the existing Garwood (N. J.) works, permitting greatly expanded output for this promising field.

In the latter months of 1956 Alcoa negotiated three-year, no-strike contracts with the major unions with whom it bargains. Added employment costs, coupled with higher prices for purchased materials and services, were reflected in an increase to 25 cents per pound for basic pig, or slightly more than 4%.

The prospect as the year closes is for continued progress in the aluminum industry at a pace exceeding that of the national economy.

SAMUEL D. WHITEMAN

President, Kansas-Nebraska Natural Gas Company, Inc.

The future of the natural gas industry in the United States poses a real challenge to all engaged in the production, transmission and distribution of natural gas.

The amazing growth of the industry has not yet subsided, and 1956 saw the connection of the 30-millionth customer by the gas utility industry. Natural gas service is now provided in 45 states and the District of Columbia, and Idaho will be added in the near future.

S. D. Whiteman

Since 1932, the industry has doubled its number of customers, and it is estimated that nearly one million new customers will be connected during each of the next nine years, so that the number of customers will exceed 38 million by 1965.

Obviously everyone in the industry is going to be plenty busy in the next few years providing the facilities necessary to serve so many customers. Transmission and distribution facilities will have to be improved and expanded to meet the demand, and production will have to continue at an accelerated rate in order to supply sufficient gas reserves.

To meet the increasing demands, it is estimated that the industry will spend nearly $19 billion between 1956 and 1965. This is almost twice the amount spent in the decade of 1946-1955, and more than 20 times as great as the amount spent in the decade immediately preceding World War II.

The reserves of natural gas in the United States are estimated to be in excess of 211 trillion cubic feet, and continued exploration and production must go forward at an unprecedented rate so that natural gas consumers can be assured of a dependable, economical supply of gas for years to come.

Faced with this challenge, the natural gas industry must unite as never before in the serious matter of supplying more than 25% of the nation's energy requirements. There is good reason to be confident that the producers, pipeliners and distributors will resolve any differences existing among them now and will pull together for the benefit, not only of the natural gas industry, but of the entire nation.

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The State of Trade and Industry

model changeover and Willys resumed operations after a one-week inventory shutdown. International Harvester, meanwhile neared the mid-January start on a lengthy shutdown of its volume Springfield plant, "Ward's" concluded.

Steel Industry Expansion Expected To Exceed Projected Output At Close of 1958

Despite United States refusal to grant fast tax amortization for steel industry expansion and the tight money market, producers are going ahead with expansion programs, "Steel" magazine, the national metalworking weekly, reported on Monday of this week.

The 24 steel companies which had filed tax aid applications for $2,300,000,000 worth of projects plan to cancel less than $100,000,000 worth, according to a "Steel" survey. But much of the $2,200,000,000 that will proceed will go ahead at later dates than if the tax aid had been granted.

The publication said to look for more than 15,000,000 ingot tons of additional capacity by 1958 or early 1959. It's likely that the industry's plans will continue to grow beyond the 143,000,000 ton total projected by the end of 1958, compared with the official capacity of 133,500,000 tons now.

In the search for capital, even the blue chip companies are experiencing trouble with the tight money market, this trade weekly pointed out. If money can be borrowed, the rising interest rates make some firms shy away. It adds, more financing by steel mill customers should be looked for.

It also noted that new stock issues are contemplated. Lukens has authorized a stock split, one purpose of which will be to raise money by stock sales. Armco also will offer new stock that will be allocated to existing stockholders.

More price increases are likely as a means to get money, the metalworking authority declared. Mill prices of steel have risen 1.5% since they started up again a month ago. Thus far, only the people who buy steel from the mills have been affected. Imminent are price increases at warehouses, suppliers of steel to a vast number of metalworking plants.

Most of the steel price increases in the last month have been in price extras rather than in base prices. "Steel's" finished steel price composite, which measures base prices, rose about two-tenths of 1%. The government's composite, which covers base prices and representative price extras, went up 1.5%.

In contrast to the upward price trends is a decline in the price of scrap. This decline pushed the magazine's price composite on steelmaking scrap to $60.83 a gross ton, a $2.34 reduction from the preceding week. The finished steel price composite remained at $137.98 a net ton for the week ended Jan. 9.

Demand for steel is mixed. Some products are in heavy demand while others are moving slowly, such as cold-rolled sheets.

The sag in demand for cold-rolled sheets stems mainly from the decline in the automobile business. Appliance makers, too, have slowed down in their needs for cold-rolled sheets. In a few cases, warehouses have deferred or cancelled orders placed with mills for cold-rolled and galvanized sheets.

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 an average of 98.3% of capacity for the week beginning Jan. 14, 1957, equivalent to 2,517,000 tons of ingot and steel for castings as compared with 98.4% of capacity, and 2,519,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 102.6% and production 2,525,000 tons. A year ago the actual weekly production was placed at 2,437,000 tons or 99.0%. The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Reached a New All-Time High Record in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 12, 1957, was estimated at 12,327,000,000 kwh. a new all-time high record for the week ended Jan. 5, 1957, according to the Edison Electric Institute. The previous all-time high record of 12,227,000,000 kwh. was established in the week ended Dec. 22, 1956.

The past week's output rose 656,000,000 kwh. above that of the previous week; it increased 733,000,000 kwh. or 6.3% above the comparable 1956 week and 2,399,000,000 kwh. over the week ended Jan. 15, 1955.

Car Loadings in Week Ended Jan. 5, Rose 15.2% Above Preceding Holiday Week

Loadings of revenue freight for the week ended Jan. 5, 1957, which included New Year's Day Holiday, were 73,973 cars or 15.2% above the preceding Christmas Holiday week, the Association of American Railroads reports.

Loadings for the week ended Jan. 5, 1957, totaled 561,519 cars, a decrease of 49,780 cars or 8.1% below the corresponding 1956 week and a decrease of 35,833 cars or 6% below the corresponding week in 1955.

U. S. Automotive Output Shows an 8% Gain for January in Latest Week

Passenger car output for the latest week ended Jan. 11, 1957, according to "Ward's Automotive Reports," is running on schedule for an 8% January gain in monthly volume over that of December, 1956.

Last week the industry assembled an estimated 146,527 cars, compared with 91,130 in the previous week. The past week's production total of cars and trucks amounted to 166,101 units, or an increase of 63,884 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 55,397 cars, while truck output increased by 8,487 vehicles during the week. In the corresponding week last year 150,030 cars and 24,712 trucks were assembled.

Last week the agency reported there were 19,574 trucks made in the United States. This compared with 11,087 in the previous week and 24,712 a year ago.

Canadian output last week was placed at 9,820 cars and 1,297 trucks. In the previous week Dominion plants built 5,607 cars and 957 trucks and for the comparable 1955 week, 6,009 cars and 1,026 trucks.

Business Failures Rise Moderately To Highest Level in 5-Week Period

Commercial and industrial failures rose to 256 in the week ended Jan. 10 from 222 in the preceding week, according to Dun & Bradstreet, Inc. At the highest level in five weeks, the toll exceeded slightly the 245 in the comparable week of last year and was considerably higher than the 200 in 1955. However, failures continued well below the prewar level being down 33% from the 380 in 1939.

Failures with liabilities of $5,000 or more increased to 215 from 196 last week and 202 a year ago. Although small casualties involving liabilities under $5,000, climbed to 41 from 26 in the previous week, they did not reach their 1955 toll of 43. Liabilities in excess of $100,000 were incurred by 25 of the failing businesses as against 20 a week ago.

All industry and trade groups except commercial service reported higher failures during the week. The manufacturing toll rose to 41 from 31, retailing up to 135 from 112, construction to 44 from 39 and wholesaling failures edged to 18 from 16; casualties in commercial service dipped to 18 from 24. Neither manufacturers nor wholesalers had as many casualties as a year ago, but tolls in other lines exceeded the 1955 levels.

Failures increased in six of the nine major geographic regions, with sharp rises in the Middle Atlantic States, up to 96 from 62, and in the South Atlantic States, up to 30 from 19. Three regions reported declines; the toll in the Pacific States fell to 50 from 59, in the Mountain States to 2 from 10 and in the East South Central to 3 from 12. Mixed trends prevailed from last year, with increases in five regions and declines in four. The most marked increases from 1955 occurred in the New England and South Atlantic States.

Wholesale Food Price Index Continues Lower Trend

Continuing the irregular movement of recent weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to $6.10 on Jan. 8, from $6.13 a week previous. The current level compares with $5.92 on the corresponding date a year ago, or a rise of 3.0%.

Up in wholesale cost last week were wheat, corn, rye, lard, sugar, cottonseed oil and lambs. Moving lower in price were flour, oats, hams, bellies, butter, cocoa, eggs, and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Registers Further Mild Declines

There was a further mild dip in the Dun & Bradstreet daily wholesale commodity price index last week, bringing the Jan. 8 figure to 229.21 (1930-1932=100). This compares with 300.23 a week earlier, and with 280.38 on the corresponding date a year ago.

Activity in grains picked up last week with prices generally steady to somewhat firmer at the close of the week.

Wheat prices were buoyed by the uncertainty in the Middle East situation and the belief that Poland may soon enter the market for some American wheat.

Cash corn and rye prices finished the week strong. Small quantities of corn were sold by exporters to Norway, Italy and Great Britain, while the Commodity Credit Corporation sold nearly 2,000,000 bushels of corn last week for export, in addition to liberal quantities of oats, barley and rye. Prices received by farmers for most grains in December averaged a little higher or were about unchanged from previous months. Daily average purchases of grain and soybean futures on the Chicago Board of Trade last week totaled about 45,800,000 bushels, compared with 25,200,000 the previous week and 54,700,000 bushels in the like week a year ago.

Domestic demand for all types of bakery flours remained very slow. Some improvement was noted in ordering out of family flour as a result of special shipping allowances by mills. Demand for dried fruits was confined mainly to replacement buying with prices on all items holding firm and unchanged.

Spot coffee prices were firm as roasters continued to purchase fill - in requirements at asking prices quoted by producers and importers.

The spot butter market developed an easier price trend with all grades reacting under increased selling pressure.

There has been a broad demand for rice at firm prices, reflecting increased consumer interest for both bulk and packaged rice as the result of recent cold weather.

Cocoa prices trended lower the past week, influenced by a larger crop prospect, disappointing manufacturer demand and slow cash markets.

Warehouse stocks of cocoa totaled 297,702 bags, as compared with 288,632 a week ago and 301,657 bags at this time last year. Lard prices registered substantial gains last week, influenced by strength in vegetable oils and by prospects of liberal export sales of fats and oils. Livestock prices generally were mostly steady to slightly firmer.

Cotton prices advanced moderately a week ago, reflecting short covering and fairly active price fixing. Other constructive factors included the steadily mounting total under loan and growing expectations of tightening in free supplies later in the season.

Mill consumption of cotton during November averaged 35,200 bales per day, according to the Census Bureau.

This compared with the October daily rate of 36,600 bales, and the November 1955 average of 37,100 bales. CCC Loan entries of 1956-crop cotton reported for the season through Dec. 28 were 3,796,200 bales. Loan repayments to the same date were reported at 237,900 bales.

Trade Volume Stimulated by Clearance Sales Rose Somewhat Above Like Period a Year Ago

The traditional January clearance sales promotions helped to stimulate consumer buying last week. Total retail trade remained somewhat above that of the similar period last year. While volume in furniture, television sets and food products declined, the

Continued on page 127

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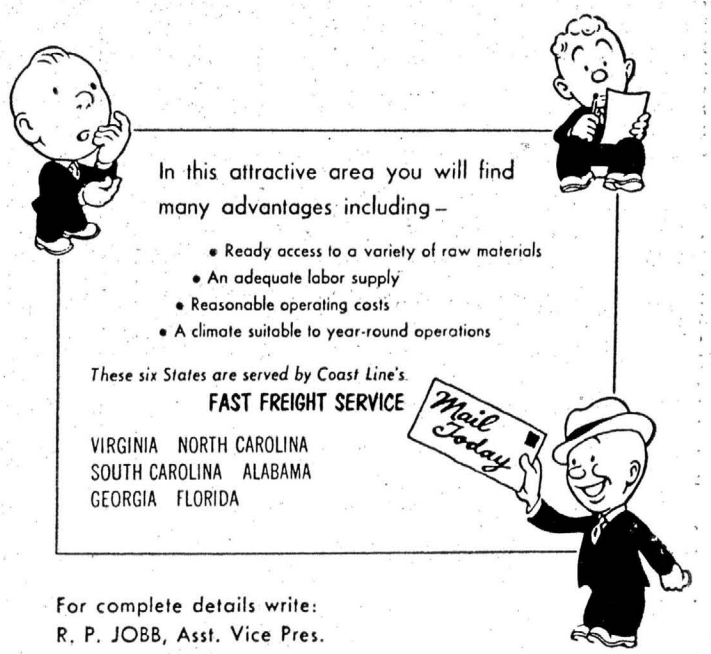

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J. C. WILSON

President, The Haloid Company

We at The Haloid Company are optimistic about the prospects for our industry in 1957. We are primarily in the business of making equipment and supplies to produce rapidly and inexpensively the copies of existing information. We are optimistic about the outlook for this field of ours because our products and those of other companies selling similar ones are intended to meet the ever increasing need of industry and government for greater speed and economy in communications, in getting more accurate information into the hands of more people so that good decisions can be made based upon facts. As the whole economy and the society become more and more complex it is of greater necessity than ever that people with responsibility be helped to maintain effective control over complex operations by receiving better, more complete, more timely information. Haloid's products help meet this need.

J. C. Wilson

Furthermore, we believe that business generally in 1957 will remain upon its present high level. There are several important reasons for this opinion:

(1) The increase in population and perhaps more important the increase in effective demand for goods on the part of individual members of the society puts a firm foundation under the economy.

(2) There is an expanding world-wide burst of industrialization.

(3) Technology is changing at a revolutionary rate through enormously increased expenditures for research and development.

(4) This changing technology requires ever increasing expenditures for new and improved plant and equipment.

(5) The state of the world makes almost necessary continuation, perhaps even an increase, in governmental expenditures.

Therefore, in summary we look forward to a good field in our industry for these two reasons:

(1) General business activity will continue on a high level.

(2) Industry and government increasingly requires the kind of goods which we produce and sell.

E. H. WILL

President, Virginia Electric and Power Company

The industrial growth at the "Top of the South" is now showing a very definite ascending course. This economic trend is the result of the effort and planning during the post World War II years and the coordinated teamwork of state and local governmental units in close alignment with industrial and civic groups. A strong and healthy economic climate is the desired objective.

E. H. Will

The South's expansion and diversification in this new economic trend has made a marked impression during 1956. The increased employment, higher income, and new and expanded manufacturing facilities are very indicative of this movement. The "Top of the South" is no longer primarily an agricultural area, but now a region where diversification is resulting in an economy balanced almost equally between agriculture and industry.

The Virginia Electric and Power Company is gratified to have a part, together with other progressive groups, in planning the present and future economic growth at the "Top of the South." We believe in the axiom that only as our communities progress, can we as a company progress. Throughout its operating area, which includes the greater portion of Virginia, northeastern North Carolina and a part of southeastern West Virginia, Vepco is promoting the many advantages of area development and assisting communities to share the benefits of the South's economic expansion.

Vepco's belief in future progress, the people and the company's service area are illustrated by the fact that the company's investment passed the one-half billion dollar mark in 1956. The construction budget for 1956 was almost $50,000,000, the largest portion being expended for new steam generating facilities. In 1957, total construction expenditures are expected to amount to $70,000,000, an all-time record for Vepco, that averages more than $1⅓ million per week.

Vepco's growth and expansion of facilities is keeping pace with the economic progress of the area served. The generating capability at present is 1,361,900 kilowatts, with an additional 640,000 kilowatts authorized and under construction. This dependable supply of electricity is provided to our 680,000 residential, commercial and industrial customers. In addition, Vepco provides natural gas facilities to 83,000 residential, commercial and industrial customers in the Tidewater area. These customers' increased requirements have necessitated Vepco's growing investment.

In the expectation of the favorable progress and continued growth, the Virginia Electric and Power Company will continue to serve its customers here at the "Top of the South" with economical, adequate and dependable electricity.

CHARLES H. WHITMORE

President, Iowa-Illinois Gas and Electric Company

Farm prices and farm income have been declining for the past five years. In 1956 there is indication that this trend has found its bottom. Payments under the soil bank program will aid income in 1957 and the program itself gives some promise of a gradual improvement in the farm surplus problem.

Charles Whitmore

Farm machinery production in 1956 was little more than half of capacity—in our own area production was adversely affected by strikes, shut-downs for control of finished products inventory, and the closing of the Minneapolis-Moline Company plant. A 10% to 15% improvement is indicated for 1957 in units produced, with a somewhat larger percentage improvement in dollar sales.

High interest rates resulting from demand for money outstripping savings is having its effect on housing construction. In this field 1957 promises to fall short of 1955 and 1956 but may still be a fair year in comparison with other years. Relatively high interest rates are apt to continue until the gap between savings and demand is closed, probably involving some topping off of the boom conditions that have prevailed in recent years.

The strong growth trend in the use of electricity is expected to continue in 1957, though probably at a rate closer to that of the long-term trend than to the higher trend of more recent years. There remains some unfilled demand for gas for space heating and gas is still in a strong competitive price situation in this area. Unfortunately, in most of our own service area fulfillment of that demand awaits increase in pipeline supply.

No remarks about the future would be complete without recognition of the war threat and the fact that a war or "police action" could nullify all present expectations.

HARLESTON R. WOOD

President, Alan Wood Steel Company

The steel industry enters 1957 with confidence. Capacity operations seem assured at least through the first six months and, although it is too soon to predict beyond this period, it is generally believed that the chances are good that a high operating rate will continue for the balance of the year.

Harleston R. Wood

The steel industry's present problem is not demand for its products nor the availability of raw materials, but the necessity for increasing its capacity. Some steel products are now hard to get and are expected to remain tight several years to come, and all predictions for the future indicate that the demand for all basic steel products will increase very substantially in future years with increasing population and a rising standard of living. There appears to be ample raw materials — ore, coal and limestone—to take care of this demand. The problem confronting the steel industry is, therefore, one of expanding its steelmaking capacity fast enough to meet this anticipated increase in demand. With integrated steel capacity costing around $350 per annual ton of production, it is necessary for the steel industry to invest about $3 to generate $1 of annual sales, even when operating at capacity. This is a much larger investment than is required by almost any other industry.

The steel industry in general has been noted for its low profit margin for many years, and its present price-cost ratio resulting from the recent round of price and wage increases has left it in a position which will not result in profits that will encourage further investment. It must, therefore, rely heavily on internally generated cash for much of the funds which will be required. Recent changes in our tax laws with regard to depreciation policies have been helpful in this respect. However, most of the fast write-offs granted during the Korean crisis have expired. This reduces the amount of cash available for additional new steelmaking facilities for the national defense.

The big problem facing the industry is whether it will be possible for it to meet the need for greater capacity which will be required in the immediate future for the defense and civilian economy. A high operating rate for existing capacity seems assured for some time to come barring any major downturn in general business conditions.

WILLIAM ZECKENDORF

President, Webb & Knapp, Inc.

Those who handle governmental purse strings tell us that, although there are many signs pointing to continuation of a healthy economy, we are in an inflationary period. I am inclined to believe this. And I also believe that the worst perpetrators of inflation are the ones who warn us of its dangers—the municipal, state and Federal Governments.

William Zeckendorf

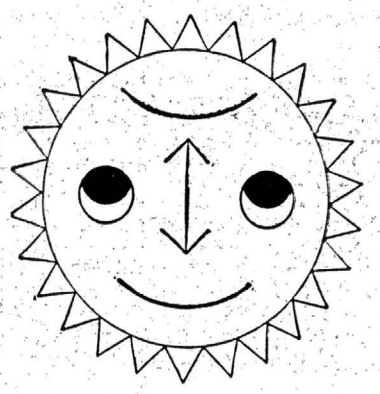
Money rates have risen sharply, manpower is in short supply, and material prices have been advancing. This is not the time for government agencies to be competing with private industry in these markets, but they are and they intend to become even more competitive in the coming year and beyond.

There is another danger in increased government spending at a time when capital expenditures are at record levels. When a recession comes — and I still believe in the cycles of life—government and industry will have run out of gas at the same time.

The greatest hedge against a deep depression is the potential pump-priming power of the municipalities, the states, and the Federal Government. If all the public works programs now on the drafting boards are pushed through immediately, nothing will be left to offset a decline in business.

Of course, many government projects are needed urgently, but others can and should be postponed.

The tragic fact, our doctors tell us, is that every third cancer death... certdeath is a needless death... twice as many could be saved.



LET'S LOOK AT THE BRIGHTER SIDE

Many thousands of Americans are cured of cancer every year. More and more people are going to their doctors *in time*...To learn how to head off cancer, call the American Cancer Society or write to "Cancer" in care of your local Post Office.

American Cancer Society

Continued from page 125

The State of Trade And Industry

uying of apparel, floor coverings, nd major appliances continued at he level of the preceding week.

Purchases of new and used passenger cars declined somewhat nd dealers' inventories climbed ightly.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England —1 o +3; Middle Atlantic —4 to 0; East North Central —5 to +1; West North Central, South Atlantic, and Pacific Coast +3 to +7; East South Central +1 to +5; West South Central +2 to +6 nd Mountain +6 to +10%.

Although volume in bedding, limbed considerably last week, urniture stores reported a noticeble decline in total sales. The uying of major appliances was nchanged, and equalled that of a ear ago. While interest in floor overings was sustained at a high evel the past week, the call for inens and draperies fell moderately.

Apparel stores reported an increased call for women's cloth oats, dresses and sportswear. While volume in toiletries and osmetics expanded considerably, ales of fashion accessories declined somewhat.

There was a substantial gain in urchases of men's overcoats and uits, but interest in neckwear, ats, and white dress shirts fell elow that of the preceding week.

The buying of fresh meat, poultry and fresh produce decreased gain last week, but volume in utter, cheese and eggs was unhanged. There was a moderate ise in interest in canned goods, rozen foods and baked goods.

Buying activity increased in the major wholesale centers the past week, as numerous trade shows timulated interest in furniture, housewares and apparel. The toal dollar volume of wholesale rade expanded noticeably and noderately exceeded that of the comparable 1956 week.

Department store sales on a country-wide basis as taken from he Federal Reserve Board's index or the week ended Jan. 5, 1957, howed no change from the like eriod last year. In the preceding week, Dec. 29, 1956* an increase f 27% was reported. For the four weeks ended Jan. 5, 1957, an increase of 9% was recorded. For he period Jan. 1, 1956 to Dec. 29, 956, a gain of 4% was registered bove that of 1955.

Retail trade volume in New ork City last week was aided by older-than-normal temperatures nd the usual promotion and learance sales, which lifted sales bout 2% above the comparable evel a year ago, according to rade observers.

According to the Federal Reserve Board's index, department store sales in New York City for he weekly period ended Jan. 5, 1957, showed no change from the like period of last year. In the preceding week Dec. 29, 1956,* an increase of 30% was reported. For he four weeks ending Jan. 5, 1957, an increase of 11% was registered. For the period Jan. 1, 1956 to Dec. 29, 1956, the index recorded a rise of 6% above that of the corresponding period in 1955.

*This year there was one shopping day before Christmas, while last year there was none.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The expected excellent earnings of the leading New York City banks for 1956 have made excellent reading for the shareholders. This writer's estimate of a 20% increase over 1955 was somewhat optimistic, but the reason for this was that there were some extraordinary charges made against current earnings. One of the large banks charged against earnings a portion of an extensive air conditioning job; another had heavy expense connected with moving its office to temporary quarters while its new building is being erected; and a third moved at considerable expense to a new location. But total dollar earnings for 1956 were $236,495,000, up 17% from $202,018,000 in 1955. A more impressive showing was the increase over the decade, from $132,807,000, or a betterment of some 78%.

The extremes of growth in this ten-year period were 48% and 171%. The latter, for Bank of New York, is easily explained by an examination of the bank's statement of condition for Dec. 31, 1956. Deposits were $35,000,000 higher; United States Government obligations over $14,000,000 greater; and loans and discounts about $6,000,000 better. Book value was about 4% higher than a year earlier. As cash increased by $16,000,000 it is obvious that risk assets were down to a more favorable basis than a year earlier. As a further result, Bank of New York's 1956 operating earnings were 36% higher than in 1955, also the best showing of the New York City banks in the period.

But this general performance was, as indicated, to be expected, as, more and more, the banks are deriving the fuller benefit of higher rates. When an interest rate is increased a bank for some time gets little benefit from the increase, as loans are already on the books and of course are at the old rates. But as loans mature and have to be renewed the banks get more and more benefit. This is true particularly where a bank carries a sizable volume of term loans, for these run for, let us say, five to ten years, and were put on the books when interest rates were considerably lower than those now ruling.

One factor that has favored the large New York City banks over most of the more important ones in other centers is the fact that the savings deposits that they carry are less in proportion to total deposits than is the case with banks in the hinterland. Thus with interest rates rising the cost of carrying total deposits is lower for the New York banks (and, it may be added, this applies equally to the larger banks in Boston and Philadelphia). Also parenthetically, care should be used in the case of the New York banks not to consider t at "time" deposits are the same as interest-bearing deposits. Large amounts of the big banks' deposit volume are frequently left for a given period of time and do not carry interest. This is often the case where foreign deposits are involved.

It is probable that this lower proportion of interest-bearing deposits on the part of the large New York banks versus the banks in the interior, has been a factor in the somewhat better proportionate earnings of the New York institutions. The following table gives the showing of this group of banks from operations for the past three calendar years:

Operating Earnings

	1954	1955	1956
Bankers Trust (b)	$4.24	$4.73	$5.02
Bank of New York (c)	16.62	19.16	26.10
Chase Manhattan (i b)	3.26	3.53	3.78
Chemical Corn Exchange (j e)	3.13	3.62	3.87
Empire Trust (h)	11.76	14.14	16.17
First National City (a)	3.38	4.25	5.20
Guaranty Trust (g)	3.58	4.06	4.70
Hanover Bank (e c)	2.81	3.23	3.78
Irving Trust	1.80	2.20	2.56
Manufacturers Trust (c)	2.94	3.22	3.59
J. P. Morgan & Co.	16.01	21.67	24.74
New York Trust (c)	4.68	4.90	5.49
United States Trust (f)	4.41	4.99	5.46

(a) Includes City Bank Farmers Trust Co.

(b) For 1954 on a pro forma basis, reflecting mergers: Bankers-Public; Manhattan-Chase.

(c) Adjusted for 2-for-1 split.

(d) Adjusted for 10% stock dividend in 1955.

(e) Adjusted for 11 1/9% stock dividend in 1955.

(f) Adjusted for 5-for-1 split.

(g) Guaranty will pay a 20% stock dividend in February, 1957.

(h) Empire will pay a 4% stock dividend in January, 1957.

(i) Chase Manhattan: 1954 and 1955 on basis of 12,000,000 shares; 1956 on 13,000,000 shares.

(j) Chemical Corn Exchange: 1954 and 1955 not comparable with 1956 on account of issue of new stock via rights.

OUR ANNUAL COMPARISON

13 NEW YORK CITY BANKS

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Morgan Stanley Group Offer Western Md. Ry. 5½% Debentures

An investment banking syndicate managed by Morgan Stanley & Co. is offering today (Jan. 17) $16,712,700 of Western Maryland Ry. Co. 25-year 5½% debentures due Jan. 1, 1982 at 100% and accrued interest. The offering is being made on behalf of The Baltimore & Ohio RR. Co. which will receive the debentures as a result of a proposed exchange offer by the Western Maryland Ry. Co.

The Western Maryland proposes to offer holders of its non-callable 7% first preferred stock (par value $100) the privilege of exchanging their shares of such stock for 25-year 5½% debentures and 5% first preferred stock (par value $30) at the rate of $100 principal amount of debentures plus one share of 5% first preferred stock for each share of 7% first preferred stock surrendered for exchange.

The Baltimore & Ohio, beneficial owner of 167,127 shares, or 94.2%, of the outstanding 7% first preferred stock of Western Maryland, has agreed to accept the exchange offer.

A special meeting of the Western Maryland's stockholders has been called for Feb. 6, 1957 to authorize the issuance of the debentures and the 5% first preferred stock. Issuance of the debentures and the 5% first preferred stock is also subject to the authorization of the Interstate Commerce Commission.

The debentures are redeemable at the option of the company at 106% to and including Jan. 1, 1962 and thereafter at declining prices, except that no such redemption shall be effected prior to Jan. 1, 1967 with borrowed funds if the interest cost of such funds is less than 5½%. A semi-annual sinking fund commencing on July 1, 1957 is calculated to retire 100% of the issue by maturity. The debentures are redeemable through the operation of the sinking fund on any interest payment date at 102% through Jan. 1, 1962 and at declining premiums thereafter.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — A. J. Frank Schepp has become associated with Cruttenden, Podesta & Co., First National Bank Building. He was formerly with the SEC.

Walston Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John L. Kennedy has been added to the staff of Walston & Co., Inc., Mile High Center. He was formerly with Mountain States Securities Co.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Allied Resources Fund, Inc., Minneapolis, Minn.
Dec. 14 filed 400,000 shares of common stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Fund Corp., 523 Marquette Ave., Minneapolis, Minn.

Amalgamated Minerals, Ltd.
Nov. 23 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses and development of oil properties. **Office** — 901 Sherman St., Denver, Colo. **Underwriter**—Lackner & Co., Denver, Colo.

★ **American Brake Shoe Co. (1/30)**
Jan. 10 filed $12,000,000 sinking fund debentures due Feb. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—For expansion and improvement program. **Underwriter**—The First Boston Corp., New York.

American Federal Finance Corp., Killeen, Texas
Sept. 5 filed 40,000 shares of class B common stock (par $5) and 400,000 shares of preferred stock (par $5) to be offered in units of 10 preferred shares and one common share. **Price**—$55 per unit. **Proceeds**—To purchase used car paper and to extend the company's operations into the field of new car financing. **Underwriter**—None. J. J. Fain is President.

American Machine & Foundry Co. (1/23)
Jan. 4 filed a maximum of $13,925,600 of 20-year convertible subordinated debentures due Feb. 1, 1977 to be offered for subscription by common stockholders of record Jan. 22, 1957 at the rate of one $100 debenture for each 25 shares of common stock held; rights to expire on Feb. 7, 1957. Warrants will be mailed on Jan. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To provide working capital for expanding sales and rentals. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

American MonoRail Co., Cleveland, O.
Dec. 18 filed 40,000 shares of $1.20 cumulative convertible preferred stock, 1956 series. **Price**—At par ($20 per share). **Proceeds** — For working capital and to reduce bank loans. **Underwriter** — Fulton, Reid & Co., Inc., Cleveland, O. [Registration also covers 30,400 shares of common stock (par $1) already issued and outstanding and being registered for the purpose of offering the purchasers thereof an opportunity to rescind their purchases of such shares.] **Offering**—Expected this week.

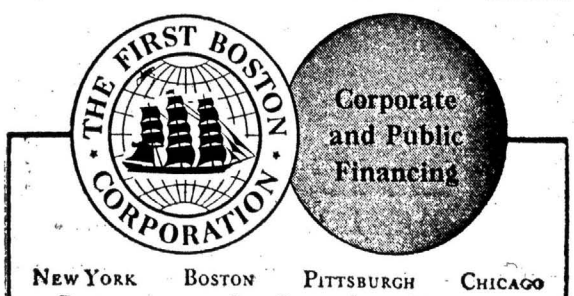
★ **American Natural Gas Co. (2/8)**
Jan. 14 filed 442,114 shares of common stock (par $25) to be offered for subscription by common stockholders of record about Feb. 8, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire about Feb. 25. **Price**—To be supplied by amendment. **Proceeds** — To purchase common stock of Michigan Consolidated Gas Co., a subsidiary, providing the latter with funds to repay or reduce $25,000,000 of bank loans. **Underwriter**—None.

★ **Approved Fire Equipment Co., Inc.**
Jan. 7 (letter of notification) 245,000 shares of capital stock (par one cent). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Business**—Manufactures emergency rescue apparatus. **Office** — Austin Boulevard and Audubon Street, Island Park, L. I., N. Y. **Underwriter**—None.

• **Armco Steel Corp.**
Dec. 18 filed 1,088,179 shares of common stock (par $10) being offered for subscription by common stockholders of record Jan. 9, 1957 at the rate of one new share for each 10 shares held; rights to expire on Jan. 24, 1957. **Price**—$56 per share. **Proceeds**—For expansion program and working capital. **Underwriter**—Smith, Barney & Co., New York.

Associates Investment Co., South Bend, Ind.
Jan. 7 filed 85,000 shares of common stock (par $10) to be offered in exchange for the outstanding stock of Capitol Life Insurance Co., Denver, Colo. on the basis of 34 shares of Associates stock for each share of Capitol stock. This offer will expire on Feb. 21. **Underwriter**—None.

Atlantic City Electric Co. (1/23)
Dec. 12 filed $10,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blair & Co. Incorporated; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—To be received up to 11 a.m. (EST) on Jan. 23 at Irving Trust Co., One Wall St., New York 15, N. Y.



Atlas Credit Corp., Philadelphia, Pa.
June 11 filed $600,000 of 6% convertible subordinated debentures due June 15, 1968. **Price**—100% of principal amount. **Proceeds**—To retire indebtedness of the company to its affiliates for money borrowed for working capital. **Underwriters**—Hallowell, Sulzberger & Co. and Charles A. Taggart & Co., Inc., both of Philadelphia, Pa., and Weill, Blauner & Co., Inc. of New York.

★ **Auto-Plan Leasing Corp.**
Dec. 31 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds**—To purchase 104 new passenger cars and five light delivery trucks and for working capital and general corporate purposes. **Business**—To lease and rent motor vehicles. **Office**—320 Main St., Port Washington, N. Y. **Underwriter**—None.

Automation Development Mutual Fund, Inc.
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

Bank Shares, Inc.
Dec. 27 (letter of notification) 30,000 shares of 6% prior preferred series C stock to be offered to holders of series A prior preferred and common stockholders of record Dec. 31, 1956 on the basis of one new share for each four shares of old stock held. **Price**—At par ($10 per share). **Proceeds**—To be added to general fund. **Office**—7th St. & Marquette Ave., Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Beautilite Co.
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

★ **Blue Bird Mines of Pinal County**
Jan. 4 (letter of notification) 50,000 shares of common stock (including an offering of rescission for 6,500 shares). **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—409 Main St., Superior, Ariz. **Underwriter**—None.

• **Brewster-Bartle Drilling Co., Inc. (1/30)**
Dec. 21 filed $2,000,000 of 5% subordinated convertible debentures due Jan. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — For drilling oil and gas wells. **Underwriters** — White, Weld & Co., New York; and Rowles, Winston & Co., Houston, Tex.

• **Brewster-Bartle Drilling Co., Inc. (1/30)**
Dec. 21 filed 100,000 shares of common stock (par $2). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—White, Weld & Co., New York; and Rowles, Winston & Co., Houston, Tex. —Expected today (Jan. 10).

★ **Brunswick-Balke-Collender Co. (1/31)**
Jan. 11 filed $5,888,800 of 15-year convertible subordinated debentures due Feb. 1, 1972, to be offered for subscription by common stockholders of record Jan. 30, 1957 at the rate of one $100 debenture for each nine shares of stock held; rights to expire on Feb. 11, 1957. **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Underwriters** — Lehman Brothers and Goldman, Sachs & Co., both of New York.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

• **Buzzards Bay Gas Co.**
Dec. 27 (letter of notification) 6,141 shares of 6% prior preferred stock to be offered first to stockholders of record Dec. 17, 1956. **Price**—At par ($25 per share). **Proceeds**—To pay amount of unsecured notes due April 30, 1957 and the balance for other corporate purposes. **Office** — 25 Iyanough Road, Hyannis, Mass. **Underwriter** — Coffin & Burr, Inc., Boston, Mass.

★ **Carrier Corp., Syracuse, N. Y. (2/5)**
Jan. 16 filed $18,000,000 of subordinated debentures due Feb. 1, 1982 (convertible to and including Feb. 1, 1967 into common stock). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters** —Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co., both of New York.

Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Date indefinite.

Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter** — None.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

★ **Colorado Fuel & Iron Corp. (2/4)**
Jan. 15 filed $19,903,300 of 4¾% convertible debentures series A, due Jan. 31, 1977 to be offered for subscription by common stockholders of record Jan. 31, 1957 on the basis of $100 of debentures for each 17 shares of stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Allen & Co., New York.

★ **Commonwealth Investment Corp., Sioux Falls, Ia.**
Jan. 14 filed 499,400 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital to expand company's business and operations. **Underwriter**—None.

• **Continental Copper & Steel Industries, Inc.**
Dec. 18 filed 170,297 shares of common stock (par $2) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of Jan. 10, 1957; subscription warrants to expire on Jan. 28, 1957. **Price**—$11.50 per share. **Proceeds**—For additions and improvements; and for working capital. **Underwriters**—Allen & Co., P. W. Brooks & Co., Inc. and Auchincloss, Parker & Redpath, all of New York.

Cooperative Grange League Federation Exchange, Inc.
Dec. 21 filed $1,200,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock (par $100) and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—For working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

• **Dayton Rubber Co. (1/30)**
Jan. 9 filed $5,000,000 of convertible subordinated debentures due Jan. 1, 1972. **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Lehman Brothers, New York.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible noncumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

Drexel Furniture Co., Drexel, N. C.
Dec. 12 filed 190,000 shares of common stock (par $2.50) being offered in exchange for common stock and class B common stock of Heritage Furniture, Inc., High Point, N. C., and for common stock of Morganton Furniture Co., Morganton, N. C., on the following basis: 1½ shares of Drexel stock for each Heritage share and three-quarters of a share of Drexel stock for each Morganton share. These offers are contingent upon acceptance of not less than 80% of the 665 outstanding class B shares of Heritage and of the 80,000 common shares of Morganton; and not less than 64,992 of the 70,910 outstanding class B shares of Heritage. The offers will expire on Jan. 18, 1957, unless extended. **Soliciting Agent**—R. S. Dickson & Co., Charlotte, N. C. Statement effective Jan. 7, 1957.

★ **E-I Mutual Association**
Jan. 9 (letter of notification) 3,000 shares of class B special stock, 1957 series, to be offered for subscription by employees of Thomas A. Edison, Inc. or of its successor. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 180 Main St., West Orange, N. J. **Underwriter**—None.

El Paso Natural Gas Co.
Dec. 14 filed 5,235,952 shares of common B stock (par $3) to be offered in exchange for common stock of Pacific Northwest Pipeline Corp. on the basis of 1¼ of common B stock for each eight shares of Pacific Northwest common stock. The offer is subject to acceptance by holders of at least 2,435,000 shares of Pacific Northwest. **Underwriter**—None. Statement effective Jan. 7.

★ **Engelberg Huller Co., Inc.**
Jan. 7 (letter of notification) 4,084 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—For working capital. **Business**—Manufactures rice and coffee processing machinery; aircraft parts; and abrasive belt grinding machines. **Office**—831 West Fayette St., Syracuse, N. Y. **Underwriter**—None.

• Eternalite, Inc., New Orleans, La. (1/30)
Sept. 24 filed 200,000 shares of class A common stock (par 50 cents). **Price**—$4.50 per share. **Proceeds**—To repay loan; for maintenance of and increase of inventory; for development of branch offices; and for research, laboratory tests, and testing equipment. **Underwriter**—Vickers Brothers, New York. Statement effective Jan. 8.

★ Evans International, Inc.
Jan. 3 (letter of notification) $250,000 of 7% subordinated debentures due serially beginning Jan. 1, 1962. **Price**—At par (in denominations of $1,000 and multiples thereof). **Proceeds**—For working capital. **Office**—194 Great Road, Acton, Mass. **Underwriter**—None.

Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

Flick-Reedy Corp., Melrose Park, Ill.
Dec. 28 filed $1,200,000 of 6% registered subordinated debentures due Feb. 1, 1972, and 120,000 shares of common stock (par $1) to be offered to employees, customers and certain other individuals in units of $100 of debentures and 10 shares of stock. **Price**—$115 per unit. **Proceeds** — For expansion and general corporate purposes. **Underwriter**—None.

Florida Growth Fund, Inc.
Nov. 23 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla. **Offering**—Temporarily postponed.

Ford Gum & Machine Co., Inc. (3/15)
Dec. 18 (letter of notification) $250,000 of 6% first mortgage bonds due 1962 to 1967, inclusive. **Price**—100% of principal amount. **Proceeds**—For machinery and working capital. **Office**—Hoag and Newton Sts., Akron, N. Y. **Business**—Manufacturing chewing gum and self-service machines. **Underwriter**—None.

Franklin Discount Co. (2/15)
Dec. 19 (letter of notification) $100,000 of 8% subordinated debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office**—127 North Sage St., Toccoa, Ga. **Underwriter**—None.

Freiberg Mahogany Co.
Oct. 11 filed $2,000,000 of subordinated debentures due 1971 and 450,000 shares of common stock (par 10 cents), of which $1,500,000 of debentures and all of the stock are to be offered publicly in units of $500 of debentures and 150 shares of stock; the remaining $500,000 of debentures to be sold to Texas Industries, Inc., which owns about 75% of Freiberg's outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units to retire short-term loans and for working capital, etc., and from sale of debentures to Texas Industries to retire a subordinated promissory note payable to the latter firm. **Office**—New Orleans, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.; Rauscher, Pierce & Co., Inc., Dallas, Texas; and Russ & Co., Inc., San Antonio, Texas. **Offering**—Postponed.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

★ G. E. T. Investors, Inc.
Jan. 8 (letter of notification) 150,000 shares of class A common stock and 150,000 shares of class A-1 common stock to be offered in blocks of 100 shares of class A together with 100 shares of class A-1. **Price**—Both at par ($1 per share). **Proceeds**—For construction purposes and working capital. **Office**—1950 Taft Drive, Lake Wood, Colo. **Underwriter**—None.

★ General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney Geenral of the United States. **Underwriter**—To be determined by competitive bidding No date has been set.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter**—None named. Offering to be made through selected dealers.

• General Telephone Co. of Michigan
Dec. 18 filed 160,000 shares of $1.35 cumulative preferred stock (par $25), being offered in exchange for the outstanding shares of $2.70, $2.75, $1.44 and $1.35 cumulative preferred stocks of Union Telephone Co. on the following basis: For each share of Union $2.70 or $2.75 preferred, two shares of General preferred, plus $2 in cash; for each share of Union $1.44 or $1.35 preferred, one share of General preferred, plus $1.25 in cash. The exchange offer expires on Jan. 25. **Dealer - Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Gold Mountain Lodge, Inc., Durango, Colo.
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None.

• Guardian Consumer Finance Corp. (1/23-24)
Nov. 26 filed 75,000 shares of 60-cent convertible preferred stock (par $10) and 15,000 shares of common stock (par $1) to be offered in units of five preferred shares and one common share. **Price**—$52 per unit, plus accrued dividends on preferred stock. **Proceeds**—To reduce bank loans. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Guardian Mutual Fund, Inc., New York
Jan. 15 filed (by amendment) 25,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

• Hamilton Paper Co., Miquon, Pa. (1/25)
Jan. 2 filed 108,160 shares of common stock (par $5) to be offered for subscription by common stockholders of record about Jan. 25, 1957 at the rate of one new share for each two shares held; rights to expire about Feb. 8. **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from a new $1,500,000 loan from an insurance company, to purchase a new paper machine, together with auxiliary equipment, at the Miquon plant; for additional capital expenditures and working capital. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Hancock Electronics Corp., Redwood City Calif.
Nov. 19 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For research and development. **Business**—Closed circuit television. **Office**—2553 Middlefield Road, Redwood City, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

• Hartfield Stores, Inc.
Oct. 2 filed 240,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To certain selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York; and Johnston, Lemon & Co., Washington, D. C. Statement has been withdrawn.

Hawaiian Pineapple Co., Ltd.
Nov. 29 filed 413,920 shares of common stock (par $7.50) being offered for subscription by common stockholders of record Dec. 28, 1956 on the basis of one new share for each four shares held; rights to expire on Jan. 21. **Price**—$10 per share. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Hilton Hotels Corp.
Nov. 23 filed 278,733 shares of 5½% cumulative convertible voting preferred stock, series A (par $25) and 278,733 shares of common stock (par $2.50) to be offered in exchange for outstanding capital stock of Savoy-Plaza, Inc., at the rate of three shares of series A preferred and three shares of common stock of Hilton Hotels for each class A and class B share of Savoy-Plaza. The exchange offer will not become effective unless at least 80% of the class A and class B stock of Savoy-Plaza is tendered. Statement effective Dec. 26.

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NEW ISSUE CALENDAR

January 17 (Thursday)
Chicago & Eastern Illinois RR.—Equip. Tr. Ctfs.
(Bids noon CST) $1,980,000
Oklahoma Gas & Electric Co.—Bonds
(Bids 10:30 a.m. EST) $20,000,000

January 21 (Monday)
K D I Corp.—Preferred
(McDonald, Holman & Co., Inc.) $499,996
Maine Fidelity Fire & Casualty Co.—Common
(McLaughlin, Cryan & Co.) $1,243,750
Southwestern Gas & Electric Co.—Bonds
(Bids 11 a.m. EST) $10,000,000

January 22 (Tuesday)
Central National Bank of Cleveland—Common
(Offering to stockholders—to be underwritten by McDonald & Co.) 125,000 shares
Cincinnati, New Orleans, Texas & Pacific Ry.—Equip. Trust Ctfs.
(Bids noon EST) $4,200,000
Pacific Gas & Electric Co.—Bonds
(Bids 8:30 a.m. PST) $35,000,000
Pacific Petroleums, Ltd.—Debentures
(Eastman Dillon, Union Securities & Co.) $15,000,000

January 23 (Wednesday)
American Machine & Foundry Co.—Debentures
(Offering to stockholders—to be underwritetn by Eastman Dillon, Union Securities & Co.) $13,925,600
Atlantic City Electric Co.—Bonds
(Bids 11 a.m. EST) $10,000,000
Chicago, Milwaukee, St. Paul & Pacific RR.—Equip. Trust Ctfs.
(Bids noon CST) $3,000,000
Guardian Consumer Finance Corp.—Preferred
(Van Alstyne, Noel & Co.) $780,000
Rohr Aircraft Corp.—Debentures
(The First Boston Corp. and Lester, Ryons & Co.) $7,500,000
Western Light & Telephone Co., Inc.—Common
(Offering to stockholders—to be underwritten by Dean Witter & Co.) 65,787 shares

January 24 (Thursday)
Koehring Co.—Common
(Loewi & Co., Inc.) 200,000 shares
Pittsburgh & Lake Erie RR.—Equip. Trust Ctfs.
(Bids noon EST) $6,720,000
Riegel Textile Corp.—Debentures
(Morgan Stanley & Co.) $12,000,000

January 25 (Friday)
Hamilton Paper Co.—Common
(Offering to stockholders—to be underwritten by Stroud & Co., Inc.) 108,160 shares
Louisville Gas & Electric Co.—Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc. and Lehman Brothers) 330,000 shares

January 29 (Tuesday)
Mountain States Tel. & Tel. Co.—Debentures
(Bids 11 a.m. EST) $35,000,000
Trans-Canada Pipe Lines, Inc.—Debentures & Common
(Lehman Brothers; Stone & Webster Securities Corp.; and White, Weld & Co. in United States; Nesbitt, Thomson & Co., Ltd.; Wood, Gundy & Co., Ltd.; McCloud, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd.) $120,000,000

January 30 (Wednesday)
American Brake Shoe Co.—Debentures
(The First Boston Corp.) $12,000,000
Brewster-Bartle Drilling Co., Inc.—Debentures
(White, Weld & Co. and Rowles, Winston & Co.) $2,000,000
Brewster-Bartle Drilling Co., Inc.—Common
(White, Weld & Co. and Rowles, Winston & Co.) 100,000 shares
Dayton Rubber Co.—Debentures
(Lehman Brothers) $5,000,000
Eternalite, Inc.—Class A Common
(Vickers Brothers) $900,000
Ohio Edison Co.—Common
(Offering to stockholders—bids 11 a.m. EST) 580,613 shares

January 31 (Thursday)
Brunswick-Balke-Collender Co.—Debentures
(Offering to stockholders—may be underwritten by Lehman Brothers) $5,888,800
Socony Mobil Oil Co.—Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 4,379,758 shares

February 1 (Friday)
Midland Commercial Corp.—Debentures
(A. J. Grayson & Co., Inc.) $480,000
Midland Commercial Corp.—Common
(A. J. Grayson & Co., Inc.) 52,500 shares
New England Electric System—Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

February 4 (Monday)
Colorado Fuel & Iron Corp.—Debentures
(Offering to stockholders—to be underwritten by Allen & Co.) $19,903,300
Public Service Co. of Oklahoma—Bonds
(Bids to be invited) $12,000,000

February 5 (Tuesday)
Baltimore & Ohio RR.—Equip. Trust Ctfs.
(Bids to be invited) $3,060,000
Carrier Corp.—Debentures
(Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.) $18,000,000

February 6 (Wednesday)
Douglas Aircraft Co.—Debentures
(Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co.) $25,000,000

February 8 (Friday)
American Natural Gas Co.—Common
(Offering to stockholders—no underwriting) 442,114 shares
Phillips Petroleum Co.—Debentures
(Offering to stockholders—to be underwritten by The First Boston Corp.) $171,750,000

February 14 (Thursday)
New York, Chicago & St. Louis RR.—Equip. Trust Ctfs.
(Bids to be invited) $6,400,000

February 15 (Friday)
Franklin Discount Co.—Debentures
(No underwriting) $100,000

February 18 (Monday)
New England Power Co.—Bonds
(Bids noon EST) $10,000,000
Tower Acceptance Corp.—Class A Common
(S. D. Fuller & Co. $1,000,000

February 19 (Tuesday)
Southern California Edison Co.—Bonds
(Bids to be invited) $37,500,000

February 25 (Monday)
South Carolina Electric & Gas Co.—Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) $6,000,000
West Penn Electric Co.—Common
(Offering to stockholders—bids to be invited) about 528,000 shares

February 26 (Tuesday)
Illinois Bell Telephone Co.—Bonds
(Bids to be invited) $40,000,000
Southern Indiana Gas & Electric Co.—Bonds
(Bids to be invited) $5,000,000

March 5 (Tuesday)
Columbus & Southern Ohio Electric Co.—Bonds
(Bids to be invited) $16,000,000
Southern Counties Gas Co. of California—Bonds
(Bids to be invited) $15,000,000

March 12 (Tuesday)
Commonwealth Edison Co.—Bonds
(Bids to be invited) $50,000,000

March 15 (Friday)
Ford Gum & Machine Co., Inc.—Bonds
(No underwriting) $250,000

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Hub Oil Co., Denver, Colo.
Dec. 18 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To buy leases; for exploration and drilling. **Office**—413 First National Bank Bldg., Denver, Colo. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ **Insurance Investors Fund, Inc., San Francisco, Calif.**
Jan. 11 filed 50,000 shares of common capital stock (par $1). **Price** — At market. **Proceeds** — For investment. **Underwriter** — The First Sierra Corp., San Francisco, Calif. Theodore C. Hossfeld, also of San Francisco, is President.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York.

K D I Corp., Rochester, N. Y. (1/21-25)
Nov. 16 filed 81,428 shares of 7% participating cumulative preferred stock (par $5), of which 71,428 shares are to be offered to public. **Price**—$7 per share. **Proceeds**—For machinery and equipment, working capital and other corporate purposes. **Underwriter**—McDonald, Holman & Co., Inc., New York.

★ **King Soopers, Inc., Denver, Colo.**
Jan. 15 filed 263,048 shares of common stock (par $1) to be offered for subscription by common stockholders and holders of certain outstanding stock purchase warrants on the basis of one share for each share held, or for each share subject to purchase under such warrants. **Price**—$3.25 per share. **Proceeds**—To equip and stock a warehouse and any new stores that may be acquired. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Koehring Co. (1/24)
Jan. 4 filed 200,000 shares of common stock (par $2). **Price** — To be supplied by amendment. **Proceeds** — To reduce short-term bank loans and for working capital. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

★ **Lawn Electronics Co., Inc.**
Dec. 27 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office** — East Freehold Road, Freehold, N. J. **Underwriter**—None.

Life Insurance Co. of South Carolina
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers. Statement effective Dec. 28.

Louisville Gas & Electric Co. (Ky.) (1/25)
Jan. 3 filed 330,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 24, 1957, on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire on Feb. 11, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc. and Lehman Brothers, both of New York.

Loyal American Life Insurance Co., Inc.
Sept. 28 filed 230,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1956 at the rate of one new share for each three shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters**—J. H. Goddard & Co., Inc., Boston, Mass., and Thornton, Mohr & Farish, Montgomery, Ala.

Maine Fidelity Fire & Casualty Co. (1/21-25)
Nov. 28 filed 99,500 shares of capital stock (par $5). **Price**—$12.50 per share. **Proceeds**—To increase capital and surplus. **Office**—Portland, Me. **Underwriter**—McLaughlin, Cryan & Co., New York.

★ **Marathon Corp., Menasha, Wis.**
Jan. 11 filed 150,000 shares of common stock (par $6.25) to be offered for sale under the company's Stock Option Plan for Employees.

May Stores Realty Corp.
Nov. 23 filed $25,000,000 general mortgage bonds due Feb. 15, 1977. **Price** — To be supplied by amendment. **Proceeds**—Approximately $18,000,000 is to be used to purchase properties from parent, The May Department Stores Co.; to pay existing indebtedness to parent and for acquisition or construction of additional properties to be leased to parent. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York. **Offering**—Temporarily postponed.

McRae Tungsten Corp., Boise, Idaho
Nov. 30 (letter of notification) 100,000 shares of common stock (par one cent) and 100,000 stock purchase warrants (each two warrants to entitle holder thereof to purchase one share of Idaho Rare Minerals Corp. 6% cumulative convertible sinking fund preferred stock, par $10, and one share of Idaho Rare common stock, par one cent at $11 per unit). **Price**—$3 per unit, consisting of one McRae share and one warrant. **Proceeds** — For mining expenses. **Office**—c/o Robert J. McRae, 1704 Gourley St., Boise, Ida. **Underwriter**—Von Gemmingen & Co., Inc., 320 North Fourth St., St. Louis, Mo.

Michigan Wisconsin Pipe Line Co.
July 2, 1956 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. Reoffering is expected sometime during the first six months of 1957.

● **Midland Commercial Corp., New York (2/1)**
Dec. 28 filed $480,000 of 10-year 7% subordinated convertible debentures. **Price**—100% of principal amount. **Proceeds**—For working capital, to finance expansion of Northern Appliance Stores, Inc., a subsidiary, and for other corporate purposes. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md.

● **Midland Commercial Corp., New York (2/1)**
Dec. 28 filed 187,500 shares of common stock (par 10 cents), of which 52,500 shares are to be offered for cash at par to certain individuals, and the remaining 135,000 shares are to be offered by Albert J. Grayson (controlling stockholder) to stockholders of Ramie Corp. and South Canada Uranium Corp. in exchange for common stock of those corporations on the basis of one share of Midland for each Ramie share and one share of Midland for each five shares of South Canada common stock. **Proceeds**—To selling stockholder. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md.

★ **Milgo Electronic Corp.**
Dec. 26 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand plant; for factory and supplies facilities; for purchase of additional test equipment; and working capital. **Office**—7601 N. W. 37th Ave., Miami, Fla. **Underwriter**—None.

Mineral Projects-Venture F, Inc., Madison, N. J.
Dec. 14 filed $2,500,000 of Participations in Capital as Limited Partnership Interests. **Price** — In $25,000 units. **Proceeds** — To acquire leaseholds and for drilling of initial or exploratory wells. **Underwriter**—Mineral Projects Co., Ltd., Madison, N. J.

Minerals, Inc., New York
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York. **Offering**—Postponed.

Mississippi Valley Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

● **Missouri Public Service Co.**
Dec. 21 filed 319,894 shares of common stock (no par) being offered for subscription by common stockholders on the basis of one new share for each five shares held on Jan. 15, 1957; rights to expire Jan. 29. **Price**—$13 per share. **Proceeds**—Together with $5,000,000 to be received from private sale of first mortgage bonds, to be used to retire bank loans and pay for new construction. **Underwriter**—Kidder, Peabody & Co., New York.

Mountain States Telephone & Telegraph Co. (1/29)
Jan. 4 filed $35,000,000 debentures due Feb. 1, 1988. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which were used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Drexel & Co. and Dean, Witter & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 29.

National Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1955 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.

● **New Brunswick (Province of)**
Dec. 14 filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Temporarily delayed.

New England Electric System (2/1)
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

★ **New England Power Co. (2/18)**
Jan. 15 filed $10,000,000 of first mortgage bonds, series G, due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. 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). **Bids**—To be received up to noon (EST) on Feb. 18 at 441 Stuart Street, Boston 16, Mass.

● **Niagara Mohawk Power Corp.**
Dec. 20 filed $46,224,200 of 4⅝% convertible debentures due Feb. 1, 1972, being offered for subscription by common stockholders of record Jan. 10, 1957 at the rate of $100 of debentures for each 25 shares of stock held; rights to expire on Jan. 28, 1957. **Price**—100% of principal amount. **Proceeds** — For construction program. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Nic-L-Silver Battery Co., Santa Ana, Calif.
Dec. 27 filed 75,000 shares of 5% cumulative participating preferred stock and 7,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — To liquidate a bank loan of $178,635; increase inventories; and for working capital and general corporate purposes. **Underwriter**—None.

★ **Northern Illinois Corp.**
Jan. 9 (letter of notification) 12,000 shares of $1.50 cumulative convertible preferred stock (no par), of which 10,000 shares are to be offered in exchange for a like number of preferred shares now outstanding, and 2,000 shares are to be issued in exchange for $50,000 principal amount of corporate notes, series A, of Manitowoc Citizens Loan & Investment Co. on the basis of one share of preferred for each $25 principal amount of notes. **Office**—112 East Locust St., DeKalb, Ill. **Underwriter**—None.

Northwestern Public Service Co.
Dec. 18 filed 54,120 shares of common stock (par $3) being offered for subscription by common stockholders of record Jan. 8, 1957 on the basis of one new share for each 10 shares held; rights to expire on Jan. 22. **Price**—$15 per share. **Proceeds** — For construction expenditures. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

Ocean City Pier Corp., Berlin, Md.
Oct. 4 filed $2,000,000 of 6% debenture bonds due July 1, 1976, and 4,000,000 shares of common stock (par one cent) to be offered in units of one $100 bond and 200 shares of stock. **Price**—$300 per unit. **Proceeds** — For construction and operation of amusement pier. **Underwriter** — Paul Korns, a director, of Johnstown, Pa. Lt. Col. James A. Grazier of Whaleysville and Ocean City, Md., is Chairman of the Board.

Ohio Edison Co. (1/30)
Jan. 3 filed 580,613 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 31, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Feb. 15, 1957. **Price**—To be fixed on Jan. 28. **Proceeds**—For additional investment in common stock of Pennsylvania Electric Co., a subsidiary, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merril Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 30 at the office of Commonwealth Services, Inc., 300 Park Ave., New York, N. Y.

Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—The two received up to 11 a.m. (EST) on Oct. 30 were rejected.

Ohio Water Service Co., Strutners, Ohio
Dec. 21 (letter of notification) 11,295 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one share for each 12 shares held as of Jan. 11, 1957. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa.

Oklahoma Gas & Electric Co. (1/17)
Dec. 19 filed $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co. **Bids**—To be received up to 10:30 a.m. (EST) on Jan. 17 at The First National City Bank of New York, 2 Wall St., New York 15, N. Y.

Orefield Mining Corp., Montreal, Canada
Oct. 15 filed 900,000 shares of capital stock (par $1), of which 200,000 shares are now outstanding. **Price**—To be supplied by amendment. **Proceeds** — For exploration costs. **Underwriter**—To be named later. Michael Tzopanakis, of Miami, Fla., and Denis Colivas, of Montreal, Canada, are large stockholders.

Pacific Gas & Electric Co. (1/22)
Dec. 28 filed $35,000,000 of first and refunding mortgage bonds, series AA, due Dec. 1, 1986. **Proceeds**—To repay short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received by company up to 8:30 a.m. (PST) on Jan. 22.

● **Pacific Petroleums Ltd. (1/22-23)**
Dec. 20 filed $15,000,000 of subordinate debentures due Jan. 1, 1977. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ **Palston Mining & Development Co. Ltd.**
Jan. 11 (letter of notification) 300,000 shares of common stock (par $1). **Price**—45 cents per share. **Proceeds**—For exploration and development costs and for other general corporate purposes. **Offices**—50 King St., West, Suite 1211, Toronto, Ont., Canada, or 40-21 Bell Blvd., Bayside 61, L. I., N. Y. **Underwriter**—None.

Peoples Finance Corp.
Nov. 16 filed 50,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Proceeds**—To reduce bank loans and for working capital. **Office**—Denver, Colo. **Underwriter**—Paul C. Kimball & Co., Chicago. **Offering**—Expected sometime in January.

★ **Phillips Petroleum Co. (2/8)**
Jan. 16 filed $171,750,000 of convertible subordinated debentures due 1987 to be offered for subscription by common stockholders of record Feb. 7 on the basis of $100 principal amount of debentures for each 20 shares of stock held; rights to expire on Feb. 25, 1957. **Price**—be supplied by amendment. **Proceeds** — To repay about $86,000,000 of short-term bank loans and for other corporate purposes. **Underwriter**—The First Boston Corp., New York.

★ **Pioneer Finance Co.**
Jan. 9 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (estimated at $3.37½ to $3.87½ per share). **Proceeds**—To a selling stockholder. **Office** — 1400 National Bank Bldg., Detroit 26, Mich. **Underwriter**—Troster, Singer & Co., New York, N. Y.

Plastic Wire & Cable Corp.
Dec. 27 (letter of notification) 14,514 shares of common stock (par $5) to be offered to stockholders of record Dec. 17, 1956 on the basis of one new share for each 12 shares held. **Price**—$16.50 per share. **Proceeds**—For expansion and additional working capital. **Office** — East Main St., Jewett City, Conn. **Underwriter**—None.

★ **Public Service Co. of Oklahoma (2/4)**
Jan. 14 filed $12,000,000 of first mortgage bonds, series F, due Feb. 1, 1987. **Proceeds** — To repay $8,400,000 of short-term bank loans, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled for Feb. 4.

Puerto Rican Jai Alai, Inc.
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price** — To be $500 per unit. **Proceeds** — For construction of fronton and related activities. **Office**—San Juan, Puerto Rico. **Underwriters**—Crerie & Co., Houston, Texas; Dixon Bretscher Noonan, Inc., Springfield, Ill.; and Aetna Securities Corp., New York. **Offering**—Date indefinite.

Pyramid Productions, Inc., New York
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

★ **Realsite Inc.**
Dec. 27 (letter of notification) 200 shares of common stock (no par). **Price**—$750 per share. **Proceeds**—For working capital. **Business**—To invest in real estate. **Office**—138-16 101st Ave., Jamaica 35, N. Y. **Underwriter**—None.

● **Riegel Textile Corp. (1/24)**
Dec. 20 filed $12,000,000 sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To retire $4,400,000 term notes and to reduce short-term bank loans. **Office**—New York City. **Underwriter**—Morgan Stanley & Co., New York.

Rohr Aircraft Corp., Chula Vista, Calif. (1/23)
Dec. 27 filed $7,500,000 of convertible subordinated debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans, and for expansion and working capital. **Underwriters**—The First Boston Corp., New York; and Lester, Ryons & Co., Los Angeles, Calif.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

Savoy Oil Co., Inc.
Dec. 20 (letter of notification) 37,500 shares of common stock (par 25 cents). **Price**—At market (estimated at $8 per share). **Proceeds**—To be added to general funds and may be applied to exploration, development and acquisition of additional properties. **Office** — 416 Enterprise Bldg., Tulsa, Okla. **Underwriter**—Dreyfus & Co., New York, N. Y. No general public offering planned.

Scovill Manufacturing Co.
Dec. 14 filed 176,450 shares of common stock (par $25) being offered for subscription by common stockholders of record Jan. 3, 1957 at the rate of one new share for each eight shares held; rights to expire on Jan. 21. **Price**—$28.50 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Morgan Stanley & Co., New York.

★ **Security Electronics Corp.**
Jan. 11 (letter of notification) 263,750 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—To complete design of an improved model of the Security Check Register (now in use); to purchase 500 such units; and for working capital and general corporate purposes. **Office**—589 Fifth Ave., New York. **Underwriter**—Foster & Mann, Inc., New York.

★ **"Shell" Transport & Trading Co., Ltd.**
Jan. 14 filed depositary receipts for 8,000,000 units of ordinary stock. **Depositary**—Irving Trust Co., New York.

★ **Socony Mobil Oil Co., Inc. (1/31)**
Jan. 10 filed 4,379,758 shares of capital stock (par $15) to be offered for subscription by stockholders of record Jan. 30, 1957 on the basis of one new share for each 10 shares held; rights to expire on or about Feb. 19, 1957. **Price**—To be supplied by amendment. **Proceeds** — For exploration and development costs and for plant expansion. **Underwriter**—Morgan Stanley & Co., New York.

Southern New England Telephone Co.
Sept. 19 filed 679,012 shares of capital stock (par $25) to be offered for subscription by stockholders at the rate of one new share for each eight shares held. **Price** — $30 per share. **Proceeds** — To pay advances from American Telephone & Telegraph Co. (approximately $15,800,000) and for property additions and improvements. **Underwriter**—None. **Offering**—Delayed indefinitely by company on Oct. 4. (See also next paragraph.)

Southern New England Telephone Co.
Sept. 19 filed 1,173,696 rights to purchase 146,712 shares of new capital stock (par $25) to be issued to American Telephone & Telegraph Co., which owns 21.61% of the outstanding stock of Southern New England Telephone Co. **Proceeds**—To American Telephone & Telegraph Co. **Bids** — Had been expected to be received up to 11 a.m. (EDT) on Oct. 10. (See also preceding paragraph.)

Southern Sportsman, Inc., Atlanta, Ga.
Dec. 7 filed 486,000 shares of common stock, of which 375,000 shares are to be publicly offered and 111,300 shares are to be reserved on exercise of options to be granted to employees of the company (latter exercisable on or before Dec. 31, 1956). **Price**—$3 per share. **Proceeds**—To buy or establish a complete sporting goods house; other expansion and inventories. **Underwriter**—Investment Underwriters, Inc., Atlanta, Ga. Philip H. Dohn, Jr., and Roger H. Bell, sole stockholders of the underwriter, are officers and directors of Southern Sportsman, Inc.

Southern Syndicate, Inc.
Dec. 5 (letter of notification) $130,000 series A registered convertible debentures due Feb. 1, 1967 to be offered first to stockholders for a 14-day period; then to the public. **Price**—90% of principal to stockholders; and at par to the public. **Proceeds**—For expansion of its present activities in the real estate and mortgage field. **Office**—1206 Citizens & Southern Bank Bldg., Atlanta, Ga. **Underwriter**—Allied Investment Co., Atlanta, Ga.

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwestern Gas & Electric Co. (1/21)
Dec. 26 filed $10,000,000 of first mortgage bonds, series G, due Jan. 1, 1987. **Proceeds**—To prepay about $6,000,000 of temporary bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 21 at Bankers Trust Co., 16 Wall St., New York, N. Y.

● **Southwestern Public Service Co.**
Dec. 21 filed 291,967 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 16, 1957 on the basis of one new share for each 14 shares held (with an oversubscription privilege); rights to expire on Jan. 30, 1957. **Price**—$24.50 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Dillon, Read & Co., Inc., New York.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Sunset Country Club, Snappington, Mo.
Dec. 26 filed $643,800 of 1% first mortgage bonds due Dec. 1, 1986, to be offered for subscription by stockholders of the Club. **Price**—At 100% of principal amount (in denominations of $1,850 each). **Proceeds**—To retire a $55,000 mortgage; and erect new clubhouse, etc. **Underwriter**—None.

Texas Calgary Co., Abilene, Texas
Sept. 25 filed 3,700,000 shares of capital stock (par 25 cents). **Price**—At market from time to time on the American Stock Exchange or the Toronto Stock Exchange or by private sale. **Proceeds**—To A. P. Scott, the selling stockholder. **Underwriter**—None.

Texas Fuel Corp., Clarksville, Texas
Nov. 29 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To pay bank loans, financing of time payment sales of appliances and air conditioners and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas.

Theatrical Interests Plan, Inc., New York City
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **Underwriter**—None.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

● **Title Guarantee & Trust Co., New York**
Nov. 21 filed 61,902 shares of capital stock (par $8) of which 35,750 shares are to be offered for subscription by stockholders on the basis of one new share for each eight shares held; and the remaining 26,152 shares are to be offered, together with cash, in exchange for stock of Abstract & Title Insurance Corporation of Buffalo, Rochester and Lockport, N. Y., on the basis of $15.25 in cash and 4/10ths of a share of Title Guarantee stock in exchange for each share of Abstract. The subscription offer to Title Guarantee stockholders becomes effective if latter company acquires at least 85% of the Abstract stock. The purchase offer will expire on Feb. 28, 1957. **Price**—To be supplied by amendment. **Proceeds**—To acquire Abstract stock. **Underwriter**—None. Statement effective Dec. 17.

● **Tower Acceptance Corp., Houston, Tex. (2/18)**
Dec. 7 filed 200,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—S. D. Fuller & Co., New York.

Trans-Canada Pipe Lines, Ltd. (1/29)
Nov. 26 filed $80,000,000 (Canadian) of subordinated debentures due 1986 and 4,000,000 shares of common stock (par $1-Canadian) to be offered in units of $100 of debentures and five shares of stock. **Price**—$150 per unit. **Proceeds**—For new construction. **Underwriters**—In United States: Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. In Canada: Nesbitt Thomson & Co. Ltd.; Wood, Gundy & Co. Ltd.; McCloud, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd.

Tri-State Rock Material Corp., Leesburg, Va.
Nov. 28 filed 500,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($1.50 per share). **Proceeds** — For asphalt plant, equipment, working capital and other corporate purposes. **Underwriter**—None.

★ **Turf Paradise, Inc., Phoenix, Ariz.**
Jan. 11 filed 50,000 shares of common stock (par $10) to be first offered for subscription by common and preferred stockholders. **Price**—$15 per share. **Proceeds**—To retire issued and outstanding preferred stock. **Underwriter**—None.

★ **United Funds, Inc., New York**
Jan. 11 filed (by amendment) 1,500,000 additional United Accumulative Fund Shares (par $1). **Price**—At par. **Proceeds**—For investment.

United States Air Conditioning Corp.
Sept. 27 filed 600,000 shares of common stock (par 10 cents), of which 50,000 shares are to be offered to employees, distributors and dealers; 50,000 shares, plus any of the unsold portion of the first 50,000 shares, are to be offered to the public; and the underwriter will be granted options to acquire the remaining 500,000 shares for reoffer to the public. **Price**—At market prices. **Proceeds**—For working capital and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Date indefinite.

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Vanderbilt Mutual Fund, Inc., Los Angeles, Calif.
Dec. 31 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Vanderbilt Mutual Fund Management Corp., 458 So. Spring St., Los Angeles 13, Calif.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida (name changed to Alfred D. Laurence & Co.), Miami, Fla.

• Western Light & Telephone Co., Inc. (1/23)
Jan. 4 filed a maximum of 65,787 shares of cumulative convertible preferred stock (par $25) to be offered for subscription by common stockholders of record Jan. 22, 1957, on the basis of one preferred share for each eight shares of common stock held; rights to expire Feb. 6. Employees may subscribe for any unsubscribed shares up to and including Feb. 4, 1957. **Price**—To be supplied by amendment. **Proceeds**—To redeem 5½% convertible preferred stock and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

Advance Mortgage Corp., Chicago, Ill.
Dec. 4 it was reported this company (to be surviving corporation following merger of First Mortgage Corp. and Irwin Jacobs & Co. of Chicago) plans a public offering of $1,000,000 class A 6% participating convertible stock (par $1). **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected in February.

Alabama Power Co. (5/9)
Dec. 17 it was reported company plans to issue and sell about $19,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman, Dillon, Union Securities & Co.; Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Bids**—Tentatively expected to be received on May 9.

American Telephone & Telegraph Co. (3/26)
Dec. 19 the directors authorized a new bond issue of $250,000,000. **Proceeds** — For additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids** — Tentatively scheduled to be received on March 26.

Anaconda Co.
Dec. 27 the directors tentatively approved a proposal to offer to stockholders the right to subscribe for some additional capital stock. **Proceeds**—For expansion program which is expected to cost $100,000,000 in 1957. **Underwriter**—Hallgarten & Co., New York. **Registration**—Expected during latter part of January.

Appalachian Electric Power Co. (3/19)
Dec. 24 it was reported company plans to issue and sell $29,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected March 19. **Registration**—Planned for Feb. 13.

Associated Truck Lines, Inc.
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed.

Baltimore & Ohio RR. (2/5)
Bids are expected to be received by the company on Feb. 5 for the purchase from it of $3,060,000 equipment trust certificates dueannually from 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Bayless (A. J.) Markets, Inc., Phoenix, Ariz.
Jan. 14 it was reported company now plans to issue and sell about 425,000 shares of common stock. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

★ Boston & Maine RR.
Bids are expected to be received by this company late in January for the purchase from it of $7,080,000 equipment trust certificates to mature annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Brazos River Gas Co. (Texas)
Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of New York.

Carolina Power & Light Co.
Oct. 15 it was reported company plans to issue and sell between $15,000,000 and $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Offering**—Expected in 1957.

Carolina Telephone & Telegraph Co.
Nov. 16 it was reported company has applied to the North Carolina P. U. Commission for authority to offer to its common stockholders an additional 58,310 shares of common stock on the basis of one new share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—None. Southern Bell Telephone & Telegraph Co. in February, 1956, sold its rights to 14,464 shares (of a 66,640 share offering to stockholders) to R. S. Dickson & Co.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, announced that "while the company expected to do some permanent financing in 1957, no definite plans have yet been worked out. Bank loans outstanding at the year end totaled $10,500,000. Construction expenditures for 1957 are now estimated at between $19,000,000 and $20,000,000. It is estimated that $5,500,000 of the amount needed for this program will be supplied from internal cash with the balance to be supplied from outside sources. **Underwriters**—Any common stock offer (first to stockholders) may be underwritten by Harriman, Ripley & Co. Inc., The First Boston Corp. and Coffin & Burr, Inc. Bidders for any bonds may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler.

★ Central National Bank of Cleveland (1/22)
Jan. 10 it was reported stockholders will vote Jan. 22 on approving a rights offering of 125,000 additional shares of capital stock to stockholders of record Jan. 16, 1957 on a 1-for-7 basis. **Price**—To be set later. **Underwriter**—McDonald & Co., Cleveland, Ohio.

Chicago & Eastern Illinois RR. (1/17)
Bids will be received by the company up to noon (CST) on Jan. 17 for the purchase from it of $1,980,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Milwaukee, St. Paul & Pacific RR. (1/23)
Bids will be received by the company up to noon (CST) on Jan. 23 for the purchase from it of $3,000,000 equipment trust certificates to mature in 30 semi-annual instalments in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cincinnati, New Orleans, Texas & Pacific Ry. (1/22)
Bids will be received by the company up to noon (EST) on Jan. 22 for the purchase from it of $4,200,000 equipment trust certificates, series L, to mature in 20 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp., Houston, Tex.
Dec. 28, the FPC authorized this corporation to build 574 miles of pipeline to cost approximately $54,589,000 from a point in Hidalgo County, Tex., to the point of connection with Houston Texas Gas & Oil Corp.'s system in East Baton Rouge Parish, La. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

Columbus & Southern Ohio Electric Co. (3/5)
Dec. 20 it was announced company is planning to issue and sell $16,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans temporarily employed to finance plant expansion. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Co. (jointly); Lee Higginson Corp. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co., and Glore Forgan & Co. (jointly). **Bids**—Tentatively scheduled to be received on March 5. **Registration**—Planned for Feb. 5.

Commonwealth Edison Co. (3/12)
Jan. 3, Willis Gale, Chairman, announced company plans to issue and sell $50,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on March 12. **Registration**—Planned for sometime in February.

Connecticut Light & Power Co.
Nov. 27 it was announced company will probably offer to its stockholders early in 1957 some additional common stock, to finance part of its construction program. **Underwriter**—None.

Consolidated Edison Co. of New York, Inc.
Dec. 15, H. R. Searing, Chairman, announced company is planning an initial issue of not to exceed $55,087,300 of 15-year convertible debentures early in 1957, probably the latter part of February. They will be offered to common stockholders for subscription at the rate of $4 principal amount of debentures for each share of common stock held. Stockholders will be asked on Feb. 5 to approve an authorized issue of $125,000,000 convertible debentures. **Proceeds** — For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Freightways, Inc.
Nov. 21 it was announced company has applied to the Interstate Commerce Commission for authority to issue and sell 250,000 shares of common stock (par $5). **Proceeds**—Together with funds from sale of up to $8,436,740 long debt securities, to acquire six Eastern lines. **Underwriter**—Blyth & Co., Inc., New York and San Francisco (Calif.).

Daystrom, Inc., Elizabeth, N. J.
Dec. 18, Thomas Roy Jones, President, announced that the company plans a public offering in near future of about $8,000,000 convertible subordinate debentures. **Proceeds**—For expansion program and working capital. **Underwriters**—Goldman, Sachs & Co. and R. W. Pressprich & Co., both of New York.

• Douglas Aircraft Co. (2/6)
Nov. 19, Donald W. Douglas, President, announced that the company plans to sell about $25,000,000 convertible subordinated debentures. **Proceeds**—For expansion of facilities in order to place the DC-8 jet airliner into production. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co., both of New York. **Registration**—Expected today (Jan. 17).

• First & Merchants National Bank
Jan. 9 this bank offered to its stockholders rights to subscribe for 45,000 shares of capital stock at the rate of one new share for each five shares held as of Jan. 8 on a 1-for-5 basis; rights to expire Jan. 31. **Price** — $45 per share. **Office** — Richmond, Va. **Underwriter** — Scott & Stringfellow, Richmond, Va.

Florida Power Corp.
Jan. 3 it was reported that company plans to offer to its stockholders in May or June about $11,000,000 of additional common stock on a 1-for-10 basis. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that the stockholders are going to be offered approximately 647,000 additional shares of common stock (par $5) on the basis of one new share for each 15 shares held on or about March 11; rights to expire on March 29. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in previous offering to stockholders.

Georgia Power Co. (6/6)
Dec. 17 it was reported company is planning issuance and sale of about $20,000,000 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.; Morgan Stanley & Co.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected June 6.

General Tire & Rubber Co.
Dec. 4, M. G. O'Neil, Executive Assistant to the President, said the management was working on a plan to revamp the capital structure and that the company would like to come up with one issue of preferred stock. He added that close to $18,000,000 will be put into capital investments during the fiscal year to end Nov. 30, 1957.

Houston Texas Gas & Oil Corp., Houston, Tex.
Dec. 28 the FPC authorized this corporation to build 942.6 miles of main line extending from the Mississippi River connection across Louisiana, Mississippi and Alabama, and then eastwardly across the Florida panhandle and down the Florida peninsula to a terminal south of Miami in Dade County, Fla., estimated to cost a total of $94,285,000. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

Hubshman Factors Corp., New York
Dec. 10 it was reported company plans to issue and sell 200,000 shares of common stock. **Price**—Expected to be around $6.80 per share. **Underwriter**—H. M. Byllesby & Co. Inc., New York and Chicago. **Offering**—Expected in February.

Huntington National Bank, Columbus, O.
Jan. 9, this bank offered to its stockholders of record Jan. 8, 1957 the right to subscribe for 50,000 additional shares of capital stock (par $20) at the rate of one new share for each four shares held; rights to expire on Jan. 23. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — Paine, Webber, Jackson & Curtis.

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Illinois Bell Telephone Co. (2/26)
Dec. 27 it was announced directors have authorized an issue of $40,000,000 first mortgage bonds, series E, due March 1, 1988. **Proceeds**—To repay short-term borrowings and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Feb. 26.

Indianapolis Power & Light Co.
Nov. 21, H. T. Prichard, President, announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing.

Interstate Fire & Casualty Co.
Sept. 26 it was reported company plans to issue and sell 75,000 additional shares of common stock. **Underwriter**—White & Co., St. Louis, Mo. **Offices**—Chicago and Bloomington, Ill.

Interstate Power Co.
Dec. 20 it was reported company expects to issue and sell in May $6,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; White, Weld & Co. and R. W. Pressprich & Co. (jointly); Smith, Barney & Co.

Iowa Electric Light & Power Co.
Jan. 2 it was announced that cash required to finance the 1957 construction program will necessitate the sale of securities to the extent of $5,000,000 to $6,000,000. The exact amount to be raised and the type of securities to be sold are now under consideration by the management.

Jefferson Lake Sulphur Co.
Dec. 27, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

Jersey Central Power & Light Co.
Sept. 12, it was announced company plans to issue and sell $8,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Kaiser Industries, Inc.
Nov. 28, E. E. Trefethen, Jr., Executive Vice-President, stated that it is anticipated that a portion of the funds necessary to meet the $25,000,000 installment due April 1, 1957 on its 4¾% term loan may have to be provided by the creation of debt by, or the sale of equity securities, of this corporation or Henry J. Kaiser Co., or through the public or private sale of a portion of the securities of the companies owned by the Henry J. Kaiser Co., or of certain other assets. **Underwriter**—The First Boston Corp., New York.

Laclede Gas Co.
Jan. 4 it was announced stockholders will vote Jan. 24 on authorizing $10,000,000 of debentures and on increasing authorized preferred stock (par $25) by 400,000 shares to 880,000 shares. The company has no immediate plans to issue any of these securities. **Underwriters**—To be determined by competitive bidding. Probable bidders: (a) For debentures—Halsey, Stuart & Co. Inc.; Lehman Brothers; Blair & Co. Incorporated and Drexel & Co. (jointly); Stone & Webster Securities Corp. (b) For preferred stock—Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); Bear, Stearns & Co. and A. C. Allyn & Co. (jointly); Blair & Co. Incorporated and Drexel & Co. (jointly); White, Weld & Co.; Ladenburg, Thalmann & Co.

★ Lone Star Gas Co.
Jan. 11 it was announced company plans to offer to its common shareholders the right to subscribe for a new issue of 154,834 shares of convertible preferred stock in the ratio of one preferred share for each 40 shares of common stock held. **Price**—Expected at par ($100 per share). **Proceeds**—From sale of preferred stock, plus funds from sale, probably privately, of $30,000,000 of debentures, to repay bank debt of $20,000,000 and for construction program. **Underwriter**—The First Boston Corp., New York.

Macy (R. H.) & Co., Inc.
Dec 19 it was announced company plans to offer up to $12,377,000 of convertible subordinated debentures to its common stockholders on the basis of $100 of debentures for each 14 shares of stock held. Stockholders on Jan. 30 will vote on authorizing an issue of $25,000,000 of these debentures. **Price**—To be named later. **Proceeds**—For working capital and expansion program. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

Metropolitan Edison Co.
Sept. 12 it was announced that company is considering the sale of $22,000,000 first mortgage bonds in the next 16 months. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp. **Bids**—Not expected to be received until May, 1957.

Mississippi Power Co. (4/11)
Dec. 24 it was reported company plans to issue and sell about $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; Blair & Co. Incorporated; Eastman, Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received on April 11.

• National Bank of Commerce, Memphis, Tenn.
Jan. 9 stockholders were offered 25,000 additional shares of capital stock on the basis of one share for each five shares held as of Jan. 8; rights to expire on Jan. 25. **Price**—$40 per share. **Underwriter**—Leftwich & Ross, Memphis, Tenn.

★ National Fuel Gas Co. (5/28)
Jan. 10 it was reported company plans to issue and sell $15,000,000 of new debentures. **Proceeds**—To make additional investments in securities of subsidiaries. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on May 28.

New England Electric System
Jan. 3, 1956, 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, Eastman Dillon, Union Securities & Co. 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). **Offering**—Expected in first half of 1957.

New Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service, Inc.
Nov. 13, Edgar H. Dixon, President, announced that this company plans to issue and sell $6,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Offering**—Expected in March, 1957.

New York, Chicago & St. Louis RR. (2/14)
Bids are expected to be received by the company on Feb. 14 for the purchase from it of $6,400,000 equipment trust certificates due in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York State Electric & Gas Corp.
Oct. 24 it was announced company plans to sell in the Spring of 1957, $25,000,000 of debt securities and an additional $20,000,000 in 1958. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co. Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly).

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Pioneer Natural Gas Co.
Jan. 7 it was reported registration is expected in February of about $12,500,000 debentures, for public offering early in March. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

Pittsburgh & Lake Erie RR. (1/24)
Bids will be received by this company up to noon (EST) on Jan. 24 for the purchase from it of $6,720,080 equipment trust certificates to be dated Feb. 15, 1957 and to mature in 15 equal annual instalments to and including Feb. 15, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Potomac Edison Co.
Dec. 27 it was announced company may this year issue some $14,000,000 to $15,000,000 of senior securities. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Expected in May.

★ Potomac Electric Power Co.
Jan. 8 it was announced company plans the sale of $30,000,000 of unsecured debentures and $15,000,000 par value of a new issue of serial preferred stock. Stockholders will vote Feb. 20 on authorizing the new preferred stock issue. **Proceeds** — To retire existing $15,000,000 of bank loans and to redeem 225,000 outstanding shares of 3.60% preferred stock at $53.25 per share plus accrued and unpaid dividends thereon: Also for construction program. **Underwriter**—For preferred stock: Dillon, Read & Co. Inc., New York.

Public Service Co. of Oklahoma (2/4)
Dec. 10 it was reported company plans to issue and sell about $12,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled for Feb. 4.

★ Rhode Island Hospital Trust Co.
Jan. 15 this Bank offered to its stockholders of record Jan. 8, 1957 the right to subscribe on or before Feb. 5, 1957 for 50,000 additional shares of capital stock (par $20) on the basis of one new share for each share held. **Price**—$75 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I., and associates.

St. Louis-San Francisco Ry.
Sept. 5 company offered not exceeding $61,600,000 of 50-year income 5% debentures, series A, due Jan. 1, 2006, 154,000 shares of common stock (no par), and cash equivalent to the unpaid portion of the preferred dividend which has been declared payable in 1956, in exchange for its 616,000 shares of $100 par value 5% preferred stock, series A, on the basis of $100 of debentures, one-quarter share of common stock and unpaid dividends of $2.50 per preferred share in exchange for each 5% preferred share. The offer will expire on Feb. 25, 1957. **Dealer-Manager**—Eastman Dillon, Union Securities & Co., New York. **Exchange Agent** — The Chase Manhattan Bank, New York.

Seiberling Rubber Co.
Sept. 10 it was reported that the company plans long-term debt financing and/or issuance of additional common stock. **Proceeds**—To redeem preferred stocks and for expansion program, etc. **Underwriter** — Probably Blair & Co. Incorporated, New York.

★ South Carolina Electric & Gas Co. (2/25)
Jan. 14 it was reported company plans to offer on or about Feb. 25 about $6,000,000 of additional common stock, first to stockholders on a 1-for-10 basis. **Underwriter**—Kidder, Peabody & Co., New York. **Registration**—Tentatively scheduled for Feb. 4.

★ South Carolina Electric & Gas Co.
Jan. 14 it was reported 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. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern California Edison Co. (2/19)
Dec. 27, E. R. Peterson, Financial Vice-President, announced that the company plans to issue and sell $37,500,000 first and refunding mortgage bonds. **Proceeds**—To help finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Feb. 19.

Southern Co.
Dec. 24 it was reported company plans to issue and sell about 1,000,000 additional shares of common stock. Directors to meet Jan. 17 to determine method of offering. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities (jointly).

Southern Counties Gas Co. of California (3/5)
Jan. 7 it was reported company may issue and sell about $15,000,000 first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received on March 5.

• Southern Indiana Gas & Electric Co. (2/26)
Nov. 16 the company filed with the Indiana P. S. Commission an application for authority to issue and sell $5,000,000 30-year first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Incorporated; Kidder, Peabody & Co.; Eastman, Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Bids**—Tentatively expected to be received on Feb. 26. **Registration**—Planned for around Feb. 1.

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Texam Oil Corp., San Antonio, Texas
Oct. 1 it was announced that the 1,000,000 additional shares of common stock, recently authorized by the directors, will provide the company with the additional working capital it will require for further expansion.

★ Texas Eastern Transmission Corp.
Jan. 16, George T. Naff, Vice-Chairman, announced that corporation expects to secure an additional $100,000,000 through issuanec of senior securities and possibly equity securities and $40,000,000 from an existing bank loan agreement. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York.

Texas Electric Service Co.
Jan. 2 it was announced company expects to sell new securities during 1957 to obtain capital for its continuing plant expansion. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly).

★ Transcontinental Gas Pipe Line Corp.
Jan. 8 it was reported that company plans to sell some additional preferred stock and bonds in order to raise part of the cost of its $110,000,000 1957 construction program. **Underwriter**—For preferred stock—White, Weld & Co. and Stone & Webster Securities Corp. Bonds previously were placed privately.

★ United Artists Corp.
Jan. 9 it was announced this privately-owned company is giving active consideration to a public stock issue. **Proceeds**—Together with a loan of about $6,000,000 from motion picture exhibitors, to be used for working capital and other general corporate purposes.

• Valley National Bank, Phoenix, Ariz.
Jan. 16 the bank offered to its common stockholders of record Jan. 15, 1957 the right to subscribe for 105,000 additional shares of common stock (par $5) on the basis of one new share for each 12 shares held; rights to expire on Feb. 1. **Price**—$26 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—William R. Staats & Co. and Blyth & Co., Inc.

Washington Gas Light Co.
Dec. 12, Everett J. Boothby, President, announced that the company expects to raise about $8,000,000 through the sale of first mortgage bonds some time in 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated and Baxter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.

• West Penn Electric Co. (2/25)
Dec. 27, Earle S. Thomson, President, announced that the company plans to issue additional common stock (about 528,000 shares) for subscription by stockholders in the ratio of one new share for each 16 shares outstanding as of Feb. 25. **Price**—To be named by company (sufficient to raise about $11,000,000 or $12,000,000). **Proceeds** — For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected Feb. 25. **Registration**—Planned for Jan. 25.

West Penn Power Co.
Dec. 27 it was announced company plans to issue some additional senior securities, probably about $20,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected sometime in July.

★ Western Maryland Ry.
Dec. 7 it was announced stockholders will vote Feb. 6 on approving a plan to offer the holders of the outstanding 177,420 shares of 7% cumulative non-callable first preferred stock (par $100) $100 of new 5½% debentures due Jan. 1, 1982, and one share of new callable 5% first preferred stock (par $30) in exchange for each present preferred share held. Baltimore & Ohio RR., owner of 167,127 shares of the non-callable stock, plans to sell publicly the $16,712,700 of new debentures it would receive. **Price**—At par. **Underwriter**—Morgan Stanley & Co., New York. **Offering** — Expected today (Jan. 17), subject to stockholder and ICC approval.

Western Massachusetts Companies
Dec. 17 it was reported company plans to issue and sell about $10,000,000 of first mortgage bonds in the Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); Blyth & Co. Inc.; Blair & Co. Incorporated; Coffin & Burr, Inc.; The First Boston Corp. and White, Weld & Co. (jointly).

Western Pennsylvania National Bank
Nov. 13 it was reported Bank plans to offer to its stockholders 132,812 additional shares of capital stock on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Office**—McKeesport, Pa.

• Winters National Bank & Trust Co.
Dec. 3 it was announeed Bank plans to offer to its stockholders on or about Jan. 15 the right to subscribe for 175,000 additional shares of capital stock on a 1-for-4 basis; rights to expire on Jan. 30. **Price**—$22 per share. **Underwriter**—Greene & Ladd, Dayton, Ohio.

Wrigley Properties, Inc.
Dec. 6 it was announced this company, a newly formed subsidiary of ACF-Wrigley Stores, Inc., plans to offer its shares of capital stock for subscription by the latter's stock, debenture and option holders, the offering to stockholders to be on the basis of one share of Properties stock for each two shares of ACF-Wrigley. **Proceeds**—To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

Major institutional investors may be in a bit more of a buying mood than they were some months back. But dealers reportedly find them still ready to quibble over a few basis points in "yield."

This came to light when Louisiana Power & Light's $20 million of 30-year bonds came to market during the week. Bidding for the issue had been extremely close with the successful group paying 100.1599% for a 4¾% coupon rate while the runners-up bid 100.069% for the same rate, a difference of only about 90 cents per $1,000 bond.

The issue was repriced for public offering to yield the buyer a return of 4.67% but proved a bit slow in attracting interest. The "A" rated bond, in the opinion of potential large buyers, would have been a real deal on a 4.70% yield basis.

Most observers were disposed to view this complaint as cutting things "a bit thin." They argued that some time back when yields were ranging from 2.60% to 2.90%, it might have been understandable. In the current range, however, they find it difficult to see where .03 basis points makes so much difference when spread over 30 years.

It may be, however, that renewed talk of a change in the discount rate, together with discussion of a possible markup in the return on Savings Bonds, has tended to slow buyers a bit for the moment.

Well Placed

The consensus in market circles is that the heavy rush of offerings which greeted the New Year wound up in strong hands. Some $425 million of new corporate issues reached market which made it a really severe test of the situation.

Notwithstanding the enormity of this outpouring, it is now evident, according to those who watch the market closely, that the demand was in excess of the supply, especially as the big life insurance companies came back into the picture after an extended absence.

Visible proof of the strength of the buying which absorbed the new issues, notably the debt securities, is found in the fact that virtually all of the new ones brought out since Jan. 1, are holding at premiums. Feeling is the market can take care of itself if pricing of new offerings is "right."

Time for Digestion

The week ahead will bring a further tapering off of the pace of the past fortnight. And it will afford a respite which the new issue market can use in assimilating the flow of offerings, not that there is any evidence of bothersome indigestion.

The corporate calendar shows about $82 million in bonds and debentures due in the market in that period, with Pacific Gas & Electric's $35 million of first and refunding bonds, due 1986, shaping up as the largest single undertaking. The balance of the list is in issues of "Street-size" which should bring out plenty of competition.

Three railroad equipment trust issues for a total of $13.9 million round out the debt security total, with Hawaiian Pineapple Co., Scovill Manufacturing and Louisville Gas & Electric scheduling equity offerings on a "rights" basis.

Looking Ahead

Providing, of course, prospective borrowers are willing to pay "going rates" for capital they need things will continue active in the corporate money market for some time ahead.

There is an aggregate of well over $600 million in pending and postponed undertakings that could be brought to market when the prospective issuers view the situation as satisfactory.

Topping this list of prospects is Consolidated Edison Co. of New York's $55 million of convertible debentures which could reach market some time in March. Stockholders are being asked to authorize a total of $125 million of such securities at a meeting early next month.

Banks for Cooperatives to Sell Debs.

The 13 Banks for Cooperatives are making arrangements for a public issue of $40,000,000 7-month consolidated collateral trust debentures, the Cooperative Bank Service of the Farm Credit Administration announced today (Jan. 17). The debentures will be offered at par and the rate of interest will be announced on or about Jan. 22.

Proceeds will be used to repay commercial bank borrowings and for lending operations

The new issue will be offered through John T. Knox, 130 William Street, New York City, the fiscal agent for the banks, with the assistance of a nation-wide group of security dealers.

Debentures of the Banks for Cooperatives, under a new amendment to the National Banking Act, are exempt from the statutory provision limiting investments of a national bank in the securities of one obligor or maker to a maximum of 10% of the bank's capital and surplus.

Southwestern P. S. Stk. Offer Underwritten by Dillon, Read Group

Dillon, Read & Co. Inc. heads an investment banking group which is underwriting an offering of 291,967 shares of additional common stock by Southwestern Public Service Co. to common stockholders and employes. Dillon, Read & Co. Inc. will also act as dealer-manager of a group of securities dealers in soliciting the exercise of subscription warrants issued to stockholders.

The subscription warrants evidence preemptive rights, expiring Jan. 30, 1957, to subscribe for the new stock at $24.50 per share at the rate of one share for each 14 shares held of record on Jan. 16, 1957 and give holders the additional right to subscribe at the same price, subject to a subscription privilege granted to employees and to allotment, for shares not taken upon exercise of the preemptive rights.

The utility company proposed to apply the proceeds from this financing to repay $5,000,000 of bank loans obtained for construction of additions and improvements to its properties and the balance toward further costs of additions and improvements.

The company's construction program contemplates the expenditure of approximately $22,750,000 for the period of two fiscal years ending Aug. 31, 1958 including completion about the middle of this year of construction of its new Cunningham plant of 75,000 kilowatts capability.

Southwestern Public Service is engaged principally in the generation, transmission, distribution and sale of electric energy in a territory which includes the Texas and Oklahoma Panhandle, the South Plains region of Texas and the Pecos Valley area in New Mexico. The population of the territory served is estimated at 795,000.

For the 12 months ended Nov. 30, 1956 the company reported total operating revenues of $39,926,547 and earnings on common stock of $7,200,191 or $1.76 per share on stock then outstanding.

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Observations . . .

	Split Ratio	Date Admitted to Trading	Market Price Change (%)	Price Change of Respective Industry Group
Visking Corp.	3-1	Jan. 5	+15	+ 4
Western Auto Supply	2-4	May 21	— 6	— 3
Yale & Towne Mfg.	2½-1	Apr. 13	+12	+41

*Unclassifiable.

RECAPITULATION
Net Average Change Up 13.8%

Standard & Poor's Index of 480 Combined Stocks rose 4%; the Dow Jones Composite Average of 65 stocks, (of which 7 were split), similarly comprising industrials, rails and utilities rose 0.79%; the D-J industrials (of which 5 were split), rose 2.3%; and S&P 15 High Grades, (of which 3 were split), rose 11.7%.

No. of split issues that advanced—50, or 62% of the split issues.
No. of split issues that declined—30, or 38% of the split issues.
Total NYSE un-split issues advanced—419, or 44% of the un-split issues.
Total NYSE un-split issues declined—522, or 55% of the un-split issues.*

*1% of the un-split issues were unchanged.

No. of the split issues out-performing remainder of their respective industry group—43 (54% of the split issues).
No. of split issues with performance below the remainder of their respective industry group—32 (40% of the split issues).
No. of issues where performance was equal—4.
No. of issues not classifiable by group—1.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 20	§98.3	*98.4	102.6	99.0
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 20	§2,517,000	*2,519,000	2,525,000	2,437,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 4	7,416,760	7,392,350	7,353,200	7,026,450
Crude runs to stills—daily average (bbls.)	Jan. 4	8,290,000	8,395,000	7,865,000	8,020,000
Gasoline output (bbls.)	Jan. 4	28,209,000	28,176,000	27,237,000	27,179,000
Kerosene output (bbls.)	Jan. 4	2,899,000	2,746,000	2,885,000	2,444,000
Distillate fuel oil output (bbls.)	Jan. 4	14,468,000	14,565,000	13,193,000	13,501,000
Residual fuel oil output (bbls.)	Jan. 4	8,745,000	9,004,000	8,360,000	8,895,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 4	186,808,000	185,796,000	175,427,000	169,012,000
Kerosene (bbls.) at	Jan. 4	31,194,000	31,759,000	33,111,000	26,345,000
Distillate fuel oil (bbls.) at	Jan. 4	132,942,000	134,809,000	145,550,000	107,269,000
Residual fuel oil (bbls.) at	Jan. 4	42,731,000	42,649,000	*43,755,000	39,719,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 5	561,519	487,546	737,757	611,299
Revenue freight received from connections (no. of cars)	Jan. 5	547,274	523,546	664,223	587,508
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 10	$376,052,000	$323,736,000	$528,078,000	$461,828,000
Private construction	Jan. 10	166,168,000	144,768,000	372,307,000	222,265,000
Public construction	Jan. 10	209,944,000	178,968,000	155,771,000	239,563,000
State and municipal	Jan. 10	132,697,000	138,390,000	122,812,000	167,708,000
Federal	Jan. 10	77,247,000	40,578,000	32,959,000	71,855,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 5	7,460,000	*5,100,000	10,640,000	9,270,000
Pennsylvania anthracite (tons)	Jan. 5	326,000	*351,000	609,000	498,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 5	94	112	226	94
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 12	12,327,000	11,671,000	12,220,000	11,594,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 10	256	222	249	245
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 8	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Jan. 8	$62.90	$62.90	$63.04	$59.09
Scrap steel (per gross ton)	Jan. 8	$60.83	$63.50	$63.17	$53.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 9	35.525c	35.575c	35.700c	43.450c
Export refinery at	Jan. 9	33.375c	33.450c	34.000c	45.650c
Lead (New York) at	Jan. 9	16.000c	16.000c	16.000c	16.500
Lead (St. Louis) at	Jan. 9	15.800c	15.800c	15.800c	16.300c
‡Zinc (delivered) at	Jan. 9	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Jan. 9	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Jan. 9	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Jan. 9	100.500c	99.500c	108.125c	106.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 15	90.30	87.98	88.76	95.10
Average corporate	Jan. 15	95.16	95.32	96.38	107.44
Aaa	Jan. 15	99.36	99.04	100.32	110.76
Aa	Jan. 15	97.47	97.62	98.57	109.42
A	Jan. 15	95.47	95.77	96.38	107.44
Baa	Jan. 15	88.81	89.09	90.63	102.30
Railroad Group	Jan. 15	94.12	93.82	94.86	106.6
Public Utilities Group	Jan. 15	96.23	96.54	97.16	107.8
Industrials Group	Jan. 15	95.16	95.32	97.16	108.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 15	3.30	3.50	3.42	2.87
Average corporate	Jan. 15	4.06	4.05	3.98	3.31
Aaa	Jan. 15	3.79	3.81	3.73	3.15
Aa	Jan. 15	3.91	3.90	3.84	3.26
A	Jan. 15	4.04	4.02	3.98	3.31
Baa	Jan. 15	4.50	4.48	4.37	3.61
Railroad Group	Jan. 15	4.13	4.15	4.08	3.47
Public Utilities Group	Jan. 15	3.99	3.97	3.93	3.29
Industrials Group	Jan. 15	4.06	4.05	3.93	3.28
MOODY'S COMMODITY INDEX	Jan. 15	434.9	435.3	439.2	405.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 5	‡‡135,504	**303,228	327,486	264,364
Production (tons)	Jan. 5	‡‡102,280	**222,250	275,418	182,195
Percentage of activity	Jan. 5	‡‡75	**52	95	92
Unfilled orders (tons) at end of period	Jan. 5	‡‡454,359	**419,408	451,288	658,142
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 11	110.78	110.61	109.62	107.54
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. 22	1,231,451	1,250,967	1,119,047	1,090,709
Dollar value	Dec. 22	$62,131,961	$64,101,832	$56,844,058	$58,484,761
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 22	1,087,570	1,060,894	825,727	1,056,447
Customers' short sales	Dec. 22	4,481	5,434	11,372	6,552
Customers' other sales	Dec. 22	1,083,089	1,055,460	814,355	1,043,395
Dollar value	Dec. 22	$52,588,609	$51,258,402	$42,504,110	$52,104,771
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 22	281,890	270,350	181,420	306,670
Short sales	Dec. 22	------	------	------	------
Other sales	Dec. 22	281,890	270,350	181,420	306,670
Round-lot purchases by dealers—					
Number of shares	Dec. 22	446,220	474,340	466,070	386,900
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. 22	417,840	544,540	517,230	489,140
Other sales	Dec. 22	11,383,590	12,042,060	9,522,850	12,042,720
Total sales	Dec. 22	11,801,430	12,586,600	10,040,080	12,531,860
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 22	1,492,510	1,724,210	1,276,540	1,556,570
Short sales	Dec. 22	234,210	328,230	272,520	230,980
Other sales	Dec. 22	1,131,440	1,261,210	969,640	1,212,090
Total sales	Dec. 22	1,365,650	1,589,440	1,241,560	1,443,070
Other transactions initiated on the floor—					
Total purchases	Dec. 22	307,430	381,420	243,990	340,120
Short sales	Dec. 22	19,000	28,740	20,600	18,760
Other sales	Dec. 22	258,410	313,860	207,370	288,390
Total sales	Dec. 22	277,410	342,600	227,970	307,150
Other transactions initiated off the floor—					
Total purchases	Dec. 22	582,665	573,745	362,960	690,190
Short sales	Dec. 22	83,099	88,630	69,100	126,780
Other sales	Dec. 22	584,129	474,140	413,258	599,331
Total sales	Dec. 22	667,219	562,170	482,356	726,111
Total round-lot transactions for account of members—					
Total purchases	Dec. 22	2,382,705	2,679,375	1,883,490	2,586,880
Short sales	Dec. 22	336,300	445,000	362,220	376,520
Other sales	Dec. 22	1,973,979	2,049,210	1,589,668	2,099,811
Total sales	Dec. 22	2,310,279	2,494,210	1,951,888	2,476,331
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 8	116.4	*116.3	116.0	111.7
Farm products	Jan. 8	88.3	*88.5	86.8	84.6
Processed foods	Jan. 8	103.5	*103.7	103.2	98.5
Meats	Jan. 8	80.3	80.7	78.7	71.6
All commodities other than farm and foods	Jan. 8	124.7	*124.6	124.5	119.9

*Revised figure. †Includes 858,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. **Nine days ended Dec. 31, 1956. ‡‡Five days ended Jan 5, 1957.

		Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of November (in thousands)		$185,207,000	$193,140,000	$173,190,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of November:				
New England		$27,884,812	$25,235,912	$17,391,205
Middle Atlantic		121,633,524	119,710,777	96,749,983
South Atlantic		30,956,562	35,899,804	37,999,862
East Central		87,526,427	108,670,922	93,502,174
South Central		74,577,168	73,323,093	63,024,694
West Central		27,755,208	39,656,257	26,630,649
Mountain		27,295,395	31,920,975	17,673,534
Pacific		92,174,770	96,517,231	76,394,283
Total United States		$489,803,866	$529,934,971	$429,366,384
New York City		74,795,675	72,251,619	55,764,815
Outside New York City		415,008,191	457,683,352	373,601,569
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of October (millions of dollars):				
Manufacturing		$50,700	$50,100	$45,400
Wholesale		13,100	*13,000	12,200
Retail		23,300	23,400	23,300
Total		$87,100	*$86,500	$80,900
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):				
Total U. S. construction		$1,590,232	$1,735,723	$1,693,051
Private construction		1,038,408	976,252	921,292
Public construction		551,824	759,471	771,759
State and municipal		430,995	641,801	666,704
Federal		120,829	117,670	105,055
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:				
All manufacturing (production workers)		13,338,000	*13,448,000	13,487,000
Durable goods		7,795,000	*7,758,000	7,829,000
Nondurable goods		5,543,000	*5,690,000	5,658,000
Employment indexes (1947-49 Avge.=100)—All manufacturing		107.8	*108.7	109.0
Payroll indexes (1947-49 Average=100)—All manufacturing		167.9	168.8	163.8
Estimated number of employees in manufacturing industries—				
All manufacturing		17,127,000	*17,222,000	17,052,000
Durable goods		10,015,000	*9,960,000	9,864,000
Nondurable goods		7,112,000	*7,262,000	7,188,000
LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE — Month of Oct. (000's omitted):				
Ordinary		$3,280	$2,634	$2,552
Industrial		549	525	546
Group		963	981	581
Total		$4,792	$4,140	$3,679
MANUFACTURER'S INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of October (millions of dollars):				
Inventories—				
Durables		$29,314	*$28,708	$25,659
Nondurables		21,423	*21,398	19,697
Total		$50,737	*$50,106	$45,356
Sales		28,235	*27,624	26,637
MONEY IN CIRCULATION—TREASURY DEPT. As of Oct. 31 (000's omitted)		$30,839,000	$30,768,000	$30,559,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):				
Total personal income		$332.6	*$329.5	$311.6
Wage and salary, receipts, total		230.2	*228.5	215.3
Commodity producing industries		100.3	*99.1	93.3
Distributing industries		60.6	*60.5	56.7
Service industries		31.0	30.8	28.9
Government		38.3	38.1	36.4
Less employees' contribution for special insurance		6.0	5.9	5.3
Other labor income		7.4	7.3	7.2
Proprietors and rental income		51.9	*50.9	49.1
Personal interest income and dividends		30.2	30.0	27.9
Total transfer payments		18.9	18.7	17.4
Total nonagricultural income		316.8	*314.4	296.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-1914 = 100—As of Nov. 15:				
All farm products		234	234	229
Crops		239	232	222
Commercial vegetables, fresh		264	203	208
Cotton		270	270	278
Feed, grains and hay		182	178	167
Food grains		232	225	220
Fruit		218	232	189
Oil-bearing crops		262	249	227
Potatoes		154	141	127
Tobacco		443	453	443
Livestock		230	236	235
Dairy products		277	272	264
Meat animals		231	*245	239
Poultry and eggs		164	167	195
Wool		249	238	225
U. S. GOVT. STATUTORY DEBT LIMITATION As of Dec. 31 (000's omitted):				
Total face amount that may be outstanding at any time		$278,000,000	$278,000,000	$281,000,000
Outstanding—				
Total gross public debt		276,627,527	277,016,953	280,768,553
Guaranteed obligations not owned by the Treasury		103,229	93,828	53,060
Total gross public debt and guaranteed obligations		$276,730,757	$277,110,781	$280,821,613
Deduct—other outstanding public debt obligations not subject to debt limitation		455,077	455,995	474,030
Grand total outstanding		$276,275,680	$276,654,785	$280,347,582
Balance face amount of obligations, issuable under above authority		1,724,320	1,345,214	652,417
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):				
As of Dec. 31		$276,730,757	$277,110,781	$280,821,613
General funds balances		4,427,373	5,777,774	4,544,518
Net debt		$272,303,384	$271,333,007	$276,277,095
Computed annual rate		2.671%	2.642%	2.490%

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Vilas & Hickey, 26 Broadway, New York City, members of the New York Stock Exchange, announced that John G. Haslam is now associated with the firm as manager of the Industrial Research Department.

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Mutual Funds

By ROBERT R. RICH

THIS YEAR TO BREAK ALL RECORDS

An increase in national income, employment and production and a further increase in the prices of goods and services was predicted by National Securities & Research Corporation in its special year-end study, "The 1957 Forecast."

The 8-page forecast is prepared by the staff of the National Securities and Research Corporation, which sponsors and manages the National Securities Series of mutual funds with assets of nearly $300 million.

The forecast, which also envisions record levels of construction and equipment outlays as the basis for a higher rate of business activity in 1957, sees these as adding to inflationary pressures. Continuing international tensions were also cited as inflationary factors.

"The threat of inflation will again be countered by the Federal Reserve's restrictive credit policy and by at least enough fiscal conservatism on the part of the Federal Government to rule out sizable tax cuts," the study declares.

Under conditions of full employment, it points out, the indicated $19 billion increase in expenditures for goods and services would "add significantly to inflationary pressures" and the problem of government "will again be to contain the boom."

This substantial increase in the gross national product, the study discloses, after analysis of the major factors influencing the economy, would elevate it to $430 billion for 1957, as compared to the $411 billion estimated for 1956.

In its outlook for industrials, the "Forecast" predicts that sales, revenues, and dividends for almost all industries ranging from agricultural equipment to tobacco would undergo increases with but one exception: certain segments of the non-ferrous metals industry. The motion picture industry along with baking and milling, meats, leather goods and heating and plumbing materials were expected to remain unchanged.

With the demand for funds by both public and private borrowers again expected to exceed savings next year, the study points out, money and credit should continue tight for the first half of 1957, with a slight easing seen in the second half.

Consumer credit was envisioned as rising $3 billion to $45 billion by the end of 1957.

Apropos the financial strength of the nation's corporations, the "Forecast" says that the net working capital of these companies in 1957 should rise to $115 billion, up $5 billion, while net earnings should move upward from $21.5 to $22 billion. Dividends the survey adds, are estimated to reach about $12.7 billion in 1957, or about 58% of estimated net earnings for that year as compared to $12.5 billion in 1956.

Plunging into the wages and railroad rate problem, the survey maintains that expected authorization of rate increases by the ICC will be a requisite for satisfactory results for the railroads next year. The prediction was that net income for Class I railroads is expected to rise $15 million to about $890 million from $875 million in 1956.

It adds: "The cost of most materials is rising and as a consequence a 7% rate increase was sought for immediate relief and a later rate advance to a maximum of 15% on certain commodities is requested to help establish a more equitable rate of return than around 4% on property account currently being realized."

The outlook for utilities is more optimistic. Electric energy sales of Class A and B systems, which represent virtually 100% of the privately owned companies, should increase to a new peak total of some 515 billion kilowatt hours, a gain of about 7%, while operating income should advance to $8.4 billion from $7.8 billion, and net income should increase to about $1.5 billion in 1957 from about $1.4 billion in 1956.

The demand for natural gas, which established another record in 1956, is again expected to move upward in 1957. The prediction: net income of $660 million compared to $600 million in 1956.

"This growth has necessitated substantial outlays for new plants," the survey explains, with $1.6 billion being spent in 1956 and planned expenditures for 1957 expected to total $1.9 billion.

Net income for the telephone industry should increase to $925 million, $125 million more than that recorded in 1956. Gross revenues, also expected to advance, should reach $7.3 billion in 1957, $1.1 billion over 1956.

Discussing the re-election of Eisenhower and the legislative program, the study states that the President, in his State of the Union message in January, will call for increased defense expenditures and a continuation of the mutual security program. The President will also urge a continuance of flexible price supports and the soil bank program for farmers, and he will seek legislation for a four-year program for Federal aid to schools.

He will also call for various health programs, programs for the aged, public housing and highway construction, aid to small business, natural resource development, assistance to the few remaining depressed areas and the extension of the minimum wage law to additional unprotected workers as part of a long-range program "to sustain balanced economic growth and stability."

The Federal Budget for the fiscal years ending June 30, 1957 and June 30, 1958 will show increases in both expenditures and revenues. In view of the tight budget, the study says, the President will ask for maintenance of existing tax rates on personal and corporate income, but some excise adjustments and minor tax relief for small business may be requested and enacted.

Specific estimates for a few of the items covered in the 1957 Forecast indicate the following annual average trends:

	1956	*1957*
Gross National Product	411*	430*
National Income	339*	352*
Personal Income	325*	337*
Disposable Income	286*	297*
Farm Income	30.2*	31.5*
Corporate Earnings	21.5*	22.0*
Corporate Dividends	12.5*	12.7*
Industrial Production	143**	147**
Wholesale Prices	114.2**	118.5**
Consumers' Prices	116.2**	119.0**

*In billions of dollars. **Annual averages. Years 1947-49 equal 100.

Lexington Trust Reports

Lexington Trust Fund's 18th annual report for the fiscal year ended Oct. 31, 1956 indicates that the trustees sold several common stock holdings on which substantial security profits were realized.

This was accomplished principally in the earlier months of the year when there was a period of generally rising stock prices. Security profits amounted to $192,791.68 after making provisions for Federal, state and local taxes. Translated into a share basis, the security profits amount to 42 cents per share as compared with distributions from this source of 30 cents and 37 cents per share respectively from the 1954 and 1955 fiscal years.

A substantial portion of the proceeds of security sales were reinvested in selected preferred stocks and bonds which in many instances afford even greater yields than on the common stocks which they replaced. The trustees of the fund, as a consequence, increased the percentage of the portfolio allocated to fixed income securities in order to capitalize on the highest interest rates reached in over two decades.

The portfolio as of Oct. 31, 1956 contained 22.2% in preferred stocks as against only 14.6% a year earlier. Common stock holdings at the close of the current fiscal year were reduced to 70.8% from 74.8% 12 months earlier.

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ATOMIC INDUSTRY TO GROW FAST IN 1957

Newton I. Steers, Jr., President, Atomic Development Mutual Fund, Inc., predicts that a number of significant developments during the year just passed indicate that the atomic industry will grow even more rapidly in 1957.

Most significant to the atomic industry future progress, according to Steers, were (1) the U. S. Navy's 1957 budget providing funds for an atomic cruiser, six atomic submarines in addition to nine in earlier budgets, and funds for advance procurement for an eight-reactor atomic aircraft carrier, (2) Great Britain's announcement in December, 1956, that she will build a total of 17 atomic power plants (to include at least 25 reactors). The cost will exceed $1¼ billion.

The Navy's plans will result in an accelerating demand for reactor components, radiation instruments and uranium fuel elements as well as substantial business for naval shipbuilders.

The expanded British program, according to Mr. Steers, will mean little business for the U. S. atomic industry, but does assure a substantial long-range demand for Canadian uranium, since it is estimated that the first seven British atomic power stations alone will require a uranium metal inventory of about 4,400 tons, equivalent to an ore requirement of approximately 5.6 million tons of ore grading 0.1%.

During 1957, Mr. Steers predicts the passage of compromise legislation which will call for additional power reactor construction by both government and industry. This program, which Mr. Steers believes will cost as much as $250 million, indicates a large volume of orders for U. S. reactor builders and component manufacturers, beginning in late 1957.

Also expected in 1957 is an extremely rapid increase in foreign reactor construction. Resulting in part from the Suez-inspired oil shortage, France, Italy and Germany are expected to follow Britain's lead in contracting for and planning large-scale power reactors. The cumulative effect of these programs will be further to increase the value of uranium stocks of companies with substantial reserves.

Business Activity To Stay High

"Business activity is currently at its best levels and gives indication of being well maintained during the coming months," Joseph M. Fitzsimmons, President of Investors Diversified Services, Inc., 62-year-old investment management corporation, comments.

"The demand for goods reflects record consumer incomes, unsatisfied needs and desires for a variety of products, and a willingness to acquire them. Industry's plans for expansion and modernization show little sign of having been retarded by the rise in financing costs. In certain areas such as the automobile industry, reduced operations of the past year pave the way for an improving rate of production.

"Further into the future, a huge nationwide program of highway construction is scheduled to commence in 1957. Expenditures are expected to increase each year to a peak rate in 1960, and to continue at approximately that level through 1969. States and municipalities have growing needs for schools, hospitals and other public buildings. Such projects by various departments of government serve to augment business volume and, where long-range in their application, aid in leveling fluctuations in construction activity and in the general economy.

"For the long-term outlook, there is reason to expect the nation's economic progress to continue. However, a strong national economy requires balance between productivity and consumer demands. To utilize a growing labor force and to produce the goods necessary to maintain and improve our living standards, requires a continuing increase of capital expenditures, and therefore of investment funds. It is the function of the investment community to gather the funds of the investing public and put them to work in sound investments, thus infusing new capital into American enterprise."

Tri-Continental Assets Gain $33 Million to $311 Million

Investment assets of Tri-Continental Corporation rose $33,000,000 in 1956 to a year-end total of $310,999,768—highest reported in the 27-year history of the nation's largest diversified closed-end investment company, it was announced today by Francis F. Randolph, Chairman of the Board and President. The increase from the $278,027,599 at the end of 1955 included about $13,000,000 in appreciation of investments and $20,000,000 in new funds received for common stock issued on exercise of warrants.

Mr. Randolph said that, despite the appreciation of the market value of investments, assets per common share outstanding declined to $45.26 at Dec. 31 from the comparable figure of $49.44 at the end of 1955. This was due entirely, he explained, to the issuance during the year of 1,138,669 new shares of common stock at the warrant exercise price of $17.76 each. The number of new shares issued in 1956 was up sharply from 252,083 in 1955.

A more accurate picture of Tri-Continental's better-than-market performance in the past year, the Chairman stated, is afforded by comparing the figures for assets per common share after assuming exercise of all warrants. These figures, he said, show an increase of $36.17 per share at Dec. 31 from $34.64 a year earlier.

For the first time, the per share asset figures, Mr. Randolph explained, are stated exclusive of any provision for possible Federal income tax on unrealized appreciation of investments. The new amendment to the Internal Revenue Code, effective this year, eliminates need for this provision inasmuch as the corporation is no longer required to pay a capital gains tax for its own account on appreciation realized on the sale of investments but, instead, in effect will take such gain for the account of the stockholders and will pay the tax on their behalf. Mr. Randolph also pointed out that the per share asset figures for 1955 have been restated to make them comparable with 1956 figures.

Tri-Continental had $17,213 of assets per $1,000 principal amount of debentures outstanding, and $361.18 for every share of its $2.70 preferred stock at year-end, the Chairman stated, compared with $15.394 and $320.65 at the close of 1955.

During the year, Mr. Randolph said, the emphasis of the corporation's investment portfolio continued to be shifted gradually from common stock to bonds and preferred stocks and, at the year-end, common stocks made up 75.50% of investment assets as compared with 77.82% a year earlier. Holdings of bonds and preferred stocks were increased primarily, he said, using new funds received from Tri-Continental common stock issued upon exercise of warrants.

"Investment emphasis," the Chairman stated, "was shifted moderately more in recognition of the increase in risks inherent in the continued expansion of business activity and the advanced level of stock prices. There was the further consideration that senior securities became increasingly attractive during the year as the tightening money market forced interest and dividend rates on bonds and preferred stocks higher and, in many cases, above the dividend rates on common stocks.

"As holdings of fixed-income bonds and preferred stocks have been built up," he added, "the stability of the value of Tri-Continental's assets has been increased and the dependability of its income has been improved."

The build-up, he stated, raised the value of net cash and senior securities held in the portfolio at year-end to $76,169,322 — well above the $58,597,000 representing the total claim of the corporation's own debentures and preferred, and comparing with $61,654,006 a year earlier.

Trust Officers Back Common Stocks and Diversification

In the conservative opinion of 50 of the best known trust investment officers of banks throughout the nation, this is no time to scuttle either common stocks or principles of diversification both by types of security and industry. The oils, steels and utilities rank first in favor for 1957, but aircraft manufacture also rates high, according to the symposium published in the January issue of "Trusts and Estates."

Opinion is about evenly divided that corporate earnings will hold or decline in 1957. From their personal and informational contacts with financial executives of America's leading corporations, the trust investment officials further conclude that 1957 will be another good year for the stockholder in dividend payments.

Confirmation that the trust companies and trust departments of banks generally continue to hold very substantial amounts and proportions of equities, comes from the study in the same issue of "Trusts and Estates" of such investments in common trust funds. In the first 118 funds just reviewed, common stocks ac-

Continued on page 138

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Continued from page 137

Mutual Funds

counted for exactly half of all security holdings and preferred stocks for another 10.4%, based on 1956 reports. This compares with 48.6% in commons and 11.5% in preferreds in such funds at the end of 1955.

The tabulation lists the 518 different common stocks found in these bank-administered funds, which provide diversification for individually trusteed accounts of a few thousand to $100,000. The study also records the number of bank funds holding each stock.

Because water is our greatest natural asset — and is so often taken for granted that population and industrial growth can create real dangers—a series of "depth" studies is being published to explore this subject from both the socio-economic and investment angles. The first of these, by Edgar T. Olson, water resources authority of the engineering consultant firm of Sanderson & Porter (appearing in the January issue of "Trusts and Estates") illustrates the size and variety of water usage and needs, including projections to meet the requirements also imposed by changes in locale of industry and residence as well as drought-plagued agriculture.

Boom-Bust Cycle May Be Over

Optimism among economists that high business activity will continue through 1957 may mean that the "boom or bust" theory is at last becoming outdated, according to the December issue of "Minutes," published by Managed Funds, Inc.

In its annual summary of informed opinion on business prospects for the immediate future, "Minutes" reports "broad anticipation" of still another year of high business activity.

Such optimism, the investment counselors of Managed Funds believe, "raises again the question of whether our postwar economy is not indeed outgrowing the business cycle—the 'boom and bust' theory."

If true, the report states, common stocks are "obviously" a much safer form of investment over the long term than they were commonly believed to be up to a decade ago.

A number of basic changes in the nation's economy are said to support this "growing belief," says "Minutes," wihch lists them as follows:

(1) The substantial increase in importance of such industries as aviation, electronics, natural gas, etc., reducing the effect of a possible downward trend in any one of them.

(2) Business is doing more and more long-range planning and is less sensitive to short-term ups and downs.

(3) Longer term wage contracts are reducing the impact of moderate business readjustments on consumer spedning.

(4) The banking system has been strengthened to the point where it can be a stabilizing influence, rather than an aggravation of business declines as formerly.

(5) The growth of expenditures for services, of government payments, and expenditures of all types, has increased broad areas of stability within the economy.

"The results of these changes can be seen in the last two business readjustments," the study sums up.

"In 1954, a drop in capital goods was offset by a rise in consumers' durable goods. In 1956, the opposite occurred . . . These opposite movements which are developing from a broadening of our economy are bringing a stability which should greatly strengthen the position of common stocks as long-term investments."

Commonwealth Assets Reach $119,000,000

Total net assets of Commonwealth Investment Company were $118,900,000 as of Dec. 31, 1956. This compares with $107,100,000 on the same date a year ago.

The company had 13,096,000 shares outstanding at the end of 1956. On Dec. 31, 1955 Commonwealth had 11,615,000 shares outstanding. The company's 45,000 shareholders are located in every state and in several foreign countries and include institutional investors such as colleges, schools, lodges, and profit-sharing plans.

Consistent with the company's policy of broad diversification, its investments at the year-end consisted of 336 individual securities in 25 industry classifications as follows: Bonds—18.0%, preferred stocks—13.6%, common stocks—66.9%, cash and receivables—1.5%. Largest industry holdings were oils 14.0%, electric utilities 9.8%, and chemicals-drugs 5.8%.

Commonwealth, during its 24th year of operation as a balanced mutual fund, made four quarterly distributions to shareholders. A total of 30c a share was paid from investment income, while 30c a share was paid from capital gains.

D. I. F. Assets Up $5 Million To $58 Million

Total net assets of Diversified Investment Fund, Inc., were $63,034,316 on Nov. 30, 1956—the end of the Fund's fiscal year. This was an increase of nearly $5 million over total net assets of $58,109,164 at the 1955 fiscal year-end. Net asset value per share on Nov. 30, 1956, was $8.95 as compared to the 1955 figure of $9.27. After adjustment for the 1956 security profits distribution of 40 cents per share, this represents an increase in value of eight cents per share for the fiscal year.

Total income dividends of 40 cents per share were paid during 1956—the same as the amount distributed the year before.

New purchases of common stocks during 1956 consisted of shares in the Borg-Warner Corporation, Standard Oil Company (Indiana), Niagara Mohawk Power Company, West Penn Electric Company, Seaboard Air Line Railroad Company, Granite City Steel Company and Inland Steel Company. Common stocks sold were American Radiator & Standard Sanitary Corp., Texas Gulf Sulphur Company, Canada Dry Ginger Ale, Inc., Louisiana Land & Exploration Company, Standard Oil Company of California, Suburban Propane Gas Corporation, California Oregon Power Company, Columbus & Southern Ohio Electric Company, Southern Pacific Company, United States Rubber Company and United Merchants & Manufacturers, Inc.

The annual report of the fund points out that 1956 was a year in which there were divergent economic trends. Most business indices showed gains over 1955. For example, industrial production rose about 3%, spendable personal income increased by 6%, and corporate profits were some 3% higher after taxes. These overall increases were achieved despite declines of 27% in automobile production and 17% in residential building. The fact that such declines in industries of major importance were more than offset by gains in other areas demonstrates the resiliency of our economy and shows the strength of certain basic factors which contribute to the long-term growth of business; namely, rising population, productivity, and personal incomes.

James A. Prindiville

James A. Prindiville, partner in Thomson & McKinnon, with headquarters in Chicago, passed away Jan. 13 at the age of 64.

National Securities Assets Over $300 Million

Total net assets of the National Securities Series of mutual funds crossed the $300 million mark for the first time in their 17-year history, Henry J. Simonson Jr., President of National Securities & Research Corporation, sponsors and managers of the funds, announced. At the close of the market last Friday assets aggregated $300,177,287, and compared with $283,786,512 at the close of the last fiscal year on April 30, 1956.

The total number of the funds' shares outstanding also increased to 42,751,623 from 39,633,792 on April 30 last, while the number of shareowners rose to approximately 117,000 from 107,182.

"The sustained growth in assets of the National Securities of mutual funds over the 17 years of their existence points up the public's increasing recognition of mutual funds as an investment medium," Mr. Simonson stated.

Labor Shortage

A possible labor shortage of 23 million workers by 1957 "means automation will have to take up the slack," Television Shares Management Corp. said today in the January issue of its publication, "Keeping Up." The corporation sponsors and is investment manager for the $138 million Television-Electronics Fund of Chicago. Citing estimates of a gross national product of $850 billion for 1975, the publication said "in order to step up the production pace and reduce the workweek to 32 hours would require a labor force of 105 million workers." Normal production gains, it added, will bring an estimated labor force gain of only 82 million by 1975, leaving a difference of 23 million workers.

General American Investors Company, Inc., stated that as of Dec. 31, 1956 net assets were $66,542,455. The increase for the year in the net assets, after payment of $4,642,115 in dividends and $197,900 for preferred stock purchased for retirement, was $5,257,833.

Net assets, after deducting $5,795,000 preferred stock, were equal to $33.74 per share of common stock on the 1,800,220 shares outstanding.

Net profit from the sale of securities for the year was $3,385,037 all from long term capital gains. Net income from dividends, interest and royalties for the year, after expenses and taxes, was $1,247,283; after payment of $110,003 for past service benefits under the Employees' Retirement Plan adopted at the last Annual

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Meeting, net income was $1,137,280. Dividends were paid during the year as follows: on the preferred stock, $267,581; on the common stock, $990,121 from net income from dividends, interest and royalties, and $3,384,413 from long term capital gains. Dividend payments on the common stock were 55 cents per share from net income and $1.88 per share from long term capital gains.

United States & Foreign Securities Corp. net assets closed-end investment company, at the year-end showed an increase equivalent to 15% over 1955 after giving effect to three capital gain distributions amounting to $20,288,165 made to shareholders during 1956, according to the corporation's annual report. The capital gain dividends amounted to $6.1278 per share of stock outstanding. The corporation also distributed four dividends from ordinary income amounting to 97.22 cents per share.

The net assets at Dec. 31, 1956 amounted to $125,041,027, equal to $37.77 per share of stock outstanding. Per share asset value at the end of 1955 was $38.95 per share.

Common stock investments held by U. S. & Foreign on Dec. 31, 1956 represented the following approximate percentages of total assets: oil, 44%; chemical and drug, 16; metal and mining, 14; manufacturing and miscellaneous, 9; merchandising, 2.6; electric utility, 2; natural gas 1.8.

CCNY Credit Course On Investment Cos.

A fully accredited college course devoted exclusively to investment companies will be given during the spring semester at the Bernard M. Baruch School of Business and Public Administration of the College of the City of New York.

Key representatives of the investment company business will be guest lecturers during the course which will meet every Thursday evening from Feb. 7 to May 23. Dr. Harold S. Oberg, Research Director of the National Association of Investment Companies and a member of the College faculty, will supervise the course.

Registration may be made now by mail. In person registration for the two-point credit course, Economics 168, takes place on Thursday and Friday, Jan. 31 and Feb. 1.

When the same course was offered last spring, it attracted one of the largest enrollments in the history of the Baruch School, and marked the first time a course devoted entirely to investment companies had been given for full credit at any college or university.

The subjects covered during the spring semester will include characteristics of open-end and closed-end investment companies, management procedures, investment company policies, management appraisal, methods of distribution, taxation, regulation of the industry by Federal and State laws, types of investment company shareholders and estate planning.

Each topic will be discussed by an expert in the field.

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Personal Progress

Roland DuBois Grimm has been appointed an industry specialist in the research department of Massachusetts Investors Trust.

At the same time Tarrant Cutler was named assistant secretary.

Mr. Grimm formerly was assistant treasurer of the Massachusetts Hospital Life Insurance Company and prior to that was associated with the Old Colony Trust Company in the security analysis section of the trust division. He is a graduate of Yale University and received his master's degree from Columbia University Teachers College in 1951. He is a member of the education committee of the Poston Society of Security Analysts.

Mr. Cutler jointed the Trust in 1953 as an administrative assistant. Previously he was with Vance, Sanders & Co. Mr. Cutler was graduated from Harvard College in 1950 following service in the U. S. Army.

Gravson M-P. Murphy has been elected to the board of directors of Investors Management Company, Inc., assuming the position formerly held by the late General Boykin C. Wright. Mr. Murphy is a partner in the law firm of Shearman and Sterling and Wright and was at one time a limited partner in G. M-P. Murphy and Company, a prominent Wall Street financial house. He is a director of Fifth Avenue Coach Lines and a trustee of the Beekman-Downtown Hospital, the Museum of the City of New York and Kips Bay Boys Club, Inc.

Wellington Fund Finds 200,000th Shareholder

Wellington Fund, open-end mutual fund with assets of $550,000,000, has just acquired its 200,000th shareholder according to an announcement made Tuesday by Walter L. Morgan, President. Wellington ranks as the country's 10th largest corporation in terms of the number of shareholders.

This represents a gain of 39,500 shareholders, or about 750 per week, over the 160,500 shareholders of Dec. 31, 1955, Mr. Morgan reported. In making the announcement, he recalled that in 1936 Wellington had only 6,500 shareholders and assets were under $3,000,000.

Continued from page 15

The Aircraft Industry 1956-1957

scheduled heavy jet bomber wings and other USAF commands will operate still more supersonic fighters and interceptors of the "Century series." More powerful jet engines will leave production lines during the coming year. Several new guided missiles are currently ready for production and output will be started during 1957 for all three military services.

Commercial aircraft deliveries during the coming year will be almost completely limited to reciprocating-engine-powered types but the first U. S. production gas-turbine airliner (a twin-engine turboprop for use by local service airlines) will be delivered by fall. Other jet and turboprop transport planes on order are not scheduled to be produced until 1958 and 1959.

The aircraft industry is expected to top again the $8,500,000,000 mark in sales reached in 1955, even though the total number of military units produced probably will continue to decline. Military output will probably approximate fewer than 7,000 aircraft, but guided missile sales, continued production of heavier planes and increasing deliveries of commercial utility and airline aircraft will serve to maintain a high level of activity in the aircraft industry.

The industry's backlog of unfilled orders stood at $18,363,000,000 on Oct. 1, 1956, a substantial increase over the $15,705,000,000 in orders on the books as 1956 began. Of the $18,363,000,000 backlog, military orders accounted for $12,822,000,000 up from the $11,553,000,000 at the start of 1956.

Civil orders for airframes, engines, propellers and parts climbed from $2,311,000,000 at the beginning of 1956 to $3,520,000,000 at the end of the third quarter. And another category labeled "other aircraft parts and equipment" (which cannot easily be broken down between military and civil) went up from $1,841,000,000 to $2,021,000,000 during the same nine-month period. In other words, the backlog of civil orders during the nine months rose just about as much on the civil ($1,209,000,000) as on the military ($1,269,000,000) side.

The anticipated increase in Congressional military appropriations for air power for fiscal 1958 (the year beginning July 1, 1957) will enable the nation's aircraft industry to maintain moderately high production levels during calendar 1957 and beyond. However, there will be a substantial change in the proportion of aircraft and missile orders as time goes on. In 1958, military "aircraft and related procurement" ordering will probably be 65-35 in favor of manned aircraft, with the possibility that a 50-50 distribution of orders may come as early as 1961.

The aircraft industry, in an effort to keep the U. S. ahead of all potential enemies in air power, will continue to expand its research and development activities and facilities in 1957. The industry, which has invested more than $1 billion of its own money for facilities, research and testing in the years since World War II, is planning to spend another billion for the same purpose in the next half-decade.

REPUBLIC OF CHILE
Service of Bonds of the External Debt

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the readjustment plan for the service of the external debt approved by Law No. 8962 of July 20, 1948, announces that the fixed annual interest of 3% has been paid for the year 1956 to the holders of bonds of the direct and indirect External Debt of the Republic and the municipalities covered by Law No. 5580 and which assented to the new plan under the aforesaid Law No. 8962.

The Sinking Fund established in accordance with Law No. 8962 has been applied to the redemption of the following bonds, purchased below par: £489,444, US$2,685,000, Swiss Francs 2,187,700, all of which have been withdrawn from circulation. The average price of these purchases was 45%.

After making these amortizations the balance of principal amount of bonds of the External Debt was as follows: £16,000,161, US$98,319,000, Swiss Francs, 79,481,100.

Up to the close of the year corresponding to this declaration 96.52% of the dollar bonds, 99.08% sterling bonds and 96.47% of the Swiss franc bonds had been assented to Law No. 8962.

Due to changes introduced in the legal structure of the Corporación de Ventas de Salitre y Yodo de Chile by Law #12018 of April 19th last, approved by the convention held by the Supreme Government and representatives of the Nitrate industry, the Nitrate balance of 1955-56 has not been completed, and, consequently, the amount of the fiscal participation in the profits of said corporation is not yet known.

For this reason it has not yet been possible to determine the amount of interest payable under old Law #5580 which will be paid for 1956 to those bondholders who have not assented to Law #8962.

This declaration will be determined as soon as the amount of the above-mentioned participation is made known.

Pursuant to the extension granted by the Supreme Government under the terms of Finance Decree No. 10,234 of December 10, 1954, the period for acceptance of the exchange authorized by Law No. 8962 will remain open until December 31, 1957.

CAJA AUTÓNOMA DE AMORTIZACIÓN DE LA DEUDA PÚBLICA
EDUARDO SOLMINIHAC K. *General Manager* — **SANTIAGO WILSON H.** *President*

Santiago
December 31, 1956.

DIVIDEND NOTICES

UNITED STATES LINES COMPANY
Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of fifty cents ($.50) per share payable March 8, 1957, to holders of Common Stock of record February 21, 1957, who on that date held regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

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Dividend Notice

Directors of the American Viscose Corporation at their regular meeting on January 9, 1957, declared a dividend of fifty cents (50¢) per share on the common stock, payable on February 1, 1957, to shareholders of record at the close of business on January 22, 1957.

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QUARTERLY DIVIDEND

A quarterly dividend of 80 cents per share has been declared on the Common and New Class B Common stocks of the Company, payable March 5, 1957 to stockholders of record at the close of business February 15, 1957.

W. J. CONRAD,
Secretary
Winston-Salem, N. C.
January 10, 1957

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Washington . . . And You

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

WASHINGTON, D. C.—There was a curious mixture of motives which resulted in the Administration decision, recommended by the President in his Annual Message, for the creation of an independent monetary commission.

First, there are the commercial banking people, who see in such a commission the possible spearhead of a drive to do some of the things that the banking industry feels should be done. In this case the desire probably includes most of the Federal bank supervisory officials, such as the Federal Reserve Board. Allan Sproul, when he was President of the Federal Reserve Bank of New York, proposed the idea last May at a convention of the New Jersey Bankers Association.

It is over-simplifying it to say that the problems most sought to be remedied, as seen by commercial bankers, are two.

From the point of view of the bankers themselves, the most urgent are the competitive relationships between commercial banks and various classes of institutions which have sprung up in the last generation, in a large part under government auspices.

From the point of view of the Reserve System, the new types of institutions, AND the multifarious schemes for guaranteeing and insuring loans, tend to a large measure to restrict the effectiveness of general monetary controls particularly, as often happens, when Congress and the Administration are going in opposite directions.

Of course the bankers themselves are somewhat interested in the monetary aspects as well as the competitive aspects, and the bank supervisors also are interested in the competitive relationships.

Usefulness of Study

There were many people in this government who felt that only the prestige of an above-politics, independent commission, with the publicity which would come from a thorough study, perhaps taking a couple of years, could lead to a chance for passage of recommendations bringing about a better and more coordinated system of financial institutions, and a more uniform application of monetary policy.

At present there is pending the proposal along this line by the 27-man Advisory Committee to the Senate Banking Committee. In an advisory capacity this committee, composed primarily of commercial bankers, is assisting Senator A. Willis Robertson (D., Va.) in his program to modernize the Federal laws relating to banking and credit institutions and to delete scores and scores of obsolete provisions of these laws.

At the end of December this Advisory committee proposed that there be created such a "Monetary and Financial Institutions Commission." It would have one Democrat and one Republican from the top of both the House and Senate Banking Committees, together with eight to 13 outside independent experts or leading individuals from private finance.

In the language used by the President, the reasoning for asking for such a commission was reminiscent of the reasoning used by the Advisory Committee. Kenton R. Cravens is the Chairman of the Advisory Committee. A St. Louis banker, Mr. Cravens won the high respect of President Eisenhower by what was admittedly a bang-up job which he planned and set in motion, for the liquidation of the Reconstruction Finance Corp., as its last Administrator.

Arouses Suspicion

On the other hand, the fact that the President proposed such a commission shortly after the idea was pressed upon him by a group predominantly composed of commercial bankers, has aroused hostility toward the project in Congress. Speaker Sam Rayburn indicated that the job could better be done by the House Banking Committee, as proposed by the Congress' foremost advocate of monetary inflation, Rep. Wright Patman (D., Tex.).

Mr. Patman, however, is not notoriously popular in the House, and it may be doubted that even backed by Mr. Rayburn, he could persuade the Rules Committee to give Mr. Patman or the Banking Committee the job.

Cat Off the Back

It also may be inferred, however, that there is a far more prosaic and politically-understandable motivation behind the decision to recommend a new monetary commission.

One thing was made clear by the President in his Annual Message. This was that some of the people in the Eisenhower Administration have become definitely worried about inflation.

Their worry about it is heightened in relation to another thing which now has been made clear beyond any doubt. This is that the President sees his overriding mission in the White House as promoting the Welfare State. The message was one-third foreign policy, one-third worry over inflation, and one-third urgent advocating of welfare schemes that would enhance Federal spending (together with rising foreign aid and military spending). Thus the President, worried about inflation, feels trapped into the same old groove of rising Federal spending, which precludes the Federal Government doing its share to abate inflation.

Together with the many yelps from speculative builders, "small business," and others about the lack of borrowed money, it is a typical political stunt to get the cat off the back by shunting the problem to a study commission. This is a device of which the President is especially enamored.

Unless business lets down, Mr. Eisenhower is beginning to approach the kind of situation which led President Truman in November 1947 to call the then "anti-inflation" session of that year. Before that special session, the former President dumped a truck-load of supposed anti-inflation proposals designed to deflect from the Administration the criticism of rising prices and costs.

Control of Federal Reserve

At the present moment it is not possible to finger any one as seeking to put the Reserve System — the only important anti-inflationary force now operating in Washington—under the thumb of the Administration or political arm.

When Elliott Bell, publisher of "Newsweek," last December repeated his proposal for a national economic council to "coordinate" the Reserve and Administration credit and monetary policies (as well as to create such a monetary commission study) he admitted he had "discussed" the idea with Arthur F. Burns when the latter was Chairman of the President's Council of Economic Advisers.

This was not rated as too significant. Mr. Burns was usually nervous operating the controlled economic society, and had the reputation for being jittery if one segment of the economy were too depressed or another were too accelerated.

While so far as it can be ascertained no one in the Administration is even covertly driving to collar the Reserve System, this possibility will always lurk in the closet. It can come out into the open any time adverse circumstances might make it politically popular.

Study Prospects

At such an early stage when such a commission has not even been approved by Congress or its personnel selected, it is impossible to speculate as to what constructive achievements it might bring about.

It is possible to speculate, however, about a couple of things **it definitely cannot do.**

Cannot Undo Loose Credit Systems

One thing which no monetary commission study can achieve, no matter what its prestige may be, is to persuade government that it should dampen down the multifarious schemes of guarantees and loan insurance and financing outside the budget.

Only recently the Administration took a step to illustrate the fierce love it has for such schemes. Under the Lease-Purchase Act, explained at various times previously in this column, a financial institution collaborating with the Federal Government to evade the budget in financing public buildings through the legal strategem of a "lease," is nominally the "owner" of the Federal building for 25 years.

The Treasury, which is the "policeman on the beat" to keep national banks from following practices dangerous to such banks' depositors, sees to it that no national bank shall own any real estate except that which is necessary to the conduct of its busines. In other words, a national bank cannot invest in real estate as such.

It was ruled by the Treasury's General Counsel that national banks may hold a "trustee title" to Federal buildings so as to get around the prohibition of law that they cannot invest in real estate. The "policeman on the beat," as it were, is given a burglary license.

With all these housing and farm and military housing and other schemes, both Congress and the Administration have a vested interest in their continuance under both Democratic and "new Republican" dogma.

Cannot Help Banks

Another thing which such a commission could not persuade either the Administration or Congress to do is to rectify the disadvantageous competitive relationships which law has given new classes of financing institutions in comparison with commercial banks.

There are savings and loan associations, for instance. These are single-purpose investment institutions, yet their "share accounts" they in practice pay out on demand as though they were deposits. Banks cannot invest 100% of their savings and time deposits in the high-yielding mortgage, for they are forbidden to do so by law. Furthermore, banks pay the 52% corporation income taxes. S&L's only pay corporation income taxes, as cooperatives, IF their reserves exceed 12% of their share accounts, which appears to be a rare occurrence.

[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

"Where's my 'Commercial and Financial Chronicle'?—where are my bond price averages?—where's my 'Donald Duck' Book?"

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