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EDITORIAL

As We See It

"In my first budget message—that for the fiscal year 1955—I emphasized the Administration's determination to chart a course toward two important fiscal goals — balanced budgets and tax reduction.

"Reductions in spending evidenced in the 1955 budget made possible a large tax reduction and tax reform program.

"The 1956 budget was balanced.

"The 1957 budget will be balanced.

"A balanced budget is proposed for 1958.

"I believe this policy of fiscal integrity has contributed significantly to the soundness of our nation's economic growth and that it will continue to do so during the coming fiscal year.

With these words the President of the United States presented a budget scheduling a record volume of peacetime expenditures by the national government. If he felt any great concern about the vast volume of proposed Federal outlays, he gave no indication of it.

His Secretary of the Treasury, however, evidently does not share the President's equanimity. On the contrary this highly placed official says with extraordinary frankness that he is willing to "predict that you will have a depression that will curl your hair" if no way is found to reduce the tax burden upon the American people, because "we are just taking too much money out of this economy that we need to make the jobs that you have to have as time goes on." The Secretary then explains, puzzlingly enough, that "there is no division or difficulty in the Administration at all on this subject. This is a thing that we all are in accord on. This budget was made up with the very greatest care and a great

Continued on page 68

Business and Finance Speaks After Turn of the Year

ANNUAL REVIEW FORECASTS: PART II

For various reasons, a large number of the 1957 business and economic forecasts especially written for the "CHRONICLE" could not be accommodated in our ANNUAL REVIEW AND OUTLOOK ISSUE of Jan. 17. All of these outlook statements, of course, reflect the individual opinions of government officials and of the country's leading industrialists, bankers and financiers on the probable trend of economic activity for specific industries and business in general. The remaining unpublished commentaries received by the "CHRONICLE" are given in today's issue starting herewith:

MALCOLM ADAM

President, The Penn Mutual Life Insurance Company

The outlook for the life insurance business must be viewed in the light of conditions which prevailed during 1956 and which exist at the turn of the year.

The life insurance industry has just concluded one of its most successful years. As this is being written there seems no doubt that 1956 will have established new high records in the amount of insurance written, the amount of insurance in force, total amount paid in dividends and one of the lowest mortality rates if not the lowest yet recorded. Greater sales were due in part to the prosperity that this country is enjoying and also to the more effective and better trained underwriters who have made life insurance their business career. The improved mortality rate is due both to the higher standard of living which has enabled people to obtain better medical care and to the many new drugs and techniques which have been developed for the treatment of afflictions which in the past were often menaces to the populace.

Malcolm Adam

Only in interest earnings did the life insurance compa-

Continued on page 20

The Price of Stability

By WINFIELD W. RIEFLER*
Assistant to the Chairman,
Board of Governors of the Federal Reserve System

Key Federal Reserve assistant, flaying the arguments for controlled, mild inflation, states the goals of growth and price stability "call not for expedients or palliatives to alleviate the impacts of higher interest rates" but for increased savings and rescheduling of outlays on the part of all major economic elements. Mr. Riefler points out: (1) Federal Reserve's crucial responsibility in stopping price inflation; (2) mounting prices, accelerated by feed-back, can never go far without additions to money supply; (3) Reserve's share of responsibility for price advances; (4) easier money would not assure relief to those demanding reversal of current restrictive policies, and (5) how labor wage policies dissipate real value of pensions.

The Federal Reserve System is widely held responsible for so-called "tight money," i. e., for the rise in interest rates, for the lower prices at which long-term bonds sell in the securities markets and for the fact that potential borrowers with credit-worthy propositions have to shop for lenders. Now, in a sense, this is true. But it is very important to understand the special sense in which this affirmation is made. It is true in somewhat the same sense that the Courts can be said to be responsible for the increase of injunctions issued. More fundamentally, however, it is the clash of conflicting interests that poses a problem which the Courts must deal with in the public interest, a problem which cannot be solved by looking the other way. Similarly, in the case of tight money and higher interest rates, the Federal Reserve System could in a technical sense look the other way. It could disregard the effects upon the real value of

Winfield W. Riefler

Continued on page 68

*An address by Mr. Riefler before the Rochester Chamber of Commerce, Jan. 14, 1957.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 78.

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

Atlas Corporation — Merritt F. Beal, Analyst, Peter P. McDermott & Co., New York City. (Page 2)

Detroit International Bridge Co. and Detroit & Canada Tunnel Corporation — Harry P. Schaub, President, Harry P. Schaub, Inc., Newark, N. J. (Page 2)

MERRITT F. BEAL

Analyst, Peter P. McDermott & Co., New York City

Members: New York Stock Exchange American Stock Exchange and Chicago Board of Trade

Atlas Corporation

At this time investors and speculators appear to be making a conservative appraisal of actual stock values. Some stocks which have all the earmarks of overvaluation are under pressure. Selling is in the ascendancy. Comes the inevitable question, what to do with the proceeds of sales. As common stocks are credited with being the best hedges against inflation, and inflationary forces are wielding powerful influence, it behooves the shrewd investor to seek havens for his funds where prices do not seem too high, where tangibles are a major part of asset values and where ability to tack quickly and successfully when ill-winds blow, has been demonstrated. In my judgment, an ideal shelter, under prevailing circumstances, is presented in Atlas Corporation.

Atlas Corp. specializes in rehabilitating, financing and guiding corporate "situations" where substantial profits attend success. Incorporated in 1929, its activities are directed by President Floyd B. Odlum, whose canny judgment in these affairs has been exceptional, and Atlas has shown increasing assets, after liberal dividends, for many years. At the end of 1950, total assets were about $64,600,000 while as of June 30, 1956, they stood at $98,000,000. It seeks opportunities to make strong propositions out of weak ones and then, at propitious times, sells at substantial profits. This has worked out very profitably.

Since 1954 Atlas Corp. has gone heavily into uranium which at present accounts for about 40% of the company's assets. Again the farsightedness of the organization is demonstrated because there can be no question that the atomic energy and uranium industries will be among the governing factors of the world's economy before many years have past. One pound of uranium has a theoretical energy equivalent of 2,500,000 lbs. of coal. There is much talk about other fissionable ores than uranium, but it still remains the best material for creation of atomic energy and it is for this reason that the A. E. C. has elected to buy all available uranium ore of certain specifications until 1966. A ready market for uranium for the next 10 years points clearly to its importance.

Atlas carries on its uranium activities through the Hidden Splendor Mining Co., carried at $26,500,000 and estimated to have actual worth far in excess of that amount. This is one of the major uranium properties in the nation.

It is the tremendous potentialities of atomic energy, fueled by uranium, that have brought leading corporations directly or indirectly into this field in various capacities, including Anaconda, General Electric, Union Carbide, Goodyear Tire, National Lead, Phillips Petroleum, Dow Chemical, Westinghouse, du Pont, Sylvania Electric Products and many others. Atlas is in splendid company in its uranium commitments.

Oil and Gas properties make up about 23% of Atlas' gross assets. Proven oil reserves are estimated to be in excess of five million barrels and proven gas reserves are estimated to be in excess of 100 billion cubic feet. Following the merger in June, the management formed Petro-Atlas Corp. and transferred its various oil and gas properties to it. In the oil and gas business it functions for Atlas, as does Hidden Splendor in its uranium activities.

Recently the company has taken over the El Dorado Refining Co., of El Dorado, Kansas, and Petro-Atlas now performs a complete cycle in the oil industry—producing, transporting, refining and distributing. El Dorado's 1956 income after taxes, but before depletion, depreciation, and amortization is estimated at $2,200,000.

Northeast Airlines, Inc., is controlled by Atlas through ownership of 51.7% of the common stock. This company presently serves 29 cities in New England and the cities of New York, Washington and Montreal and, in addition, serves three other New England points on a summer seasonal basis. Operating within a relatively confined region north and east of New York City, the company's operations have been limited primarily to short haul type of service in a highly seasonal market and has not been profitable.

On Sept. 28, 1956 the CAB released its opinion that in view of the traffic potential available, authorization of additional air service was warranted and required in order to provide improved service between important cities in the Northeast and in Florida. The Board selected this company as the carrier to provide such additional service. The CAB order extends company's route system for a period of five years, south of New York/Newark to the terminal point, Miami, Florida, via the new intermediate points of Philadelphia, Baltimore, Washington, Jacksonville, St. Petersburg, Clearwater, and Tampa, Florida. This route extension to Florida provides the company with a long haul, seasonally balanced traffic market of substantial traffic density. The company believes this will be of substantial benefit to it. Flights inaugurated Jan. 9, 1957.

As of June 30, 1956 Atlas' earned surplus was $25,700,000. Its financial position at that time showed cash or equivalent of $10,890,016 against current liabilities of $1,489,465. The company's regular bond, preferred and common stock portfolio has a market value of approximately $15,509,611. Miscellaneous investments were carried at $4,889,000 and investments in majority-owned subsidiaries (special situations) were carried at $73,345,000.

Atlas has now brought three marvelous properties to fruition. This has taken time and should pay off in a big way:

(1) Company has vast uranium holdings rounded out to a compact unit including production and milling of this rare and valuable mineral, for which there is unlimited demand. This should be readily salable.

(2) The company's huge oil interests have been and are being brought to a point where they represent a complete oil unit: producing, refining, transporting and marketing. There are undoubtedly many bids available for such a unit.

(3) After long nursing and skillful efforts, an air transport organization has been built into a position of vital importance through obtaining approved entry into what is probably the most remunerative air route — Northeast U. S. and Canada to East Coast points and Florida. We consider this to have been a master stroke of diplomacy that should in the long run pay off handsomely.

The timing seems right for buying Atlas. Dividend return from the 60c annual payments make the stock doubly interesting, as the yield is good while waiting for capital gains.

HARRY P. SCHAUB

President, Harry P. Schaub, Inc., Newark, N. J.

Detroit International Bridge Company
Detroit & Canada Tunnel Corporation

On Dec. 7, 1950 I had the privilege of presenting in this column my story on the Detroit International Bridge Company. At that time the stock was selling at $7\frac{1}{4}$ (adjusted for the 2-for-1 split since then) and with stock now at $17\frac{1}{2}$ bid, it shows an appreciation of 141%. Oddly enough, this article deals with two separate companies which — even though in direct competition with each other—I consider to be companion investments. The first one, mentioned above, is the Detroit International Bridge Company which owns and operates a highway toll bridge known as the "Ambassador Bridge" which connects Detroit, Michigan with Windsor, Ontario. It is an 1850 ft. suspension bridge—largest international bridge in the world—with five vehicle lanes and an 8 ft. pedestrian walk.


Harry P. Schaub

The Detroit & Canada Tunnel Corporation and a subsidiary own and operate a one-mile tunnel underneath the Detroit River serving the cities of Detroit and Windsor. The company also furnishes bus service through the tunnel.

In 1956 approximately 5.8 million vehicles used both the bridge and tunnel establishing an all-time high record for traffic in spite of the economic conditions prevalent in the Detroit area due to the large decline in automobile production. A continuing expansion of the amount of vehicular traffic using these two facilities with a corresponding rise in revenues appears a certainty.

The habits of the American public, regardless of their financial status, is to own an automobile, be it a jalopy or an expensive car. Only ten years ago there were 31,000,000 cars, trucks, and buses on U. S. roads. Today, this figure has doubled while the miles traveled have increased to over 600 billion compared with 250 billion at the end of World War II. It has been predicted that by 1966 over 80 million vehicles will be on the road traveling over 800 billion miles. This trend plus the new roads being built should assure facilities like the Detroit Bridge and the Tunnel of a continued increase in business. Toll facilities of this nature are not

Continued on page 76

Serious Consequences Ahead For U. S. Funds in Canada

By SIDNEY BROWN
Adjunct Assistant Professor of Economics, Pace College, New York City

In probing a current transborder tax case between U. S. and a Canadian corporation and its three principal U. S. stockholders, Economist Brown depicts American unilateral action as a possible threat to American flow of investments abroad. Compares unintended tax effect with that deliberately produced by exchange control practices. Author is amazed that Canada has not sought to exercise consultation provisions of U. S.-Canada tax treaty designed to prevent double taxation and encourage a secure investment climate in so far as taxes are concerned.

The outlook for continued flow of private American investments abroad may well be determined shortly through the outcome of a controversy now taking place by the action of the United States Commissioner of Internal Revenue against the Consolidated Premium Iron Ores Ltd., a Canadian corporation, Cyrus S. Eaton, and Mr. and Mrs. William R. Daley, American investors.

Sidney Brown

The U. S. Internal Revenue Service has assessed taxes against these three United States citizens, for profits realized by Premium, in which they hold substantial stock interest, in consideration of a contract with Steep Rock Iron Mines Ltd., another Canadian corporation, by which Premium undertook to provide $1,000,000 of financing, and sales, transportation, and technical services. The Internal Revenue Service takes the position that since Messrs. Eaton and Daley conceived and developed the transaction which made it possible for Steep Rock to commence operations and to obtain the financing and services of Premium, Eaton and Daley, as stockholders of Premium, are personally taxable on the profits by that Canadian company. This claim was first instituted against Premium, for this same profit item, a year and a half earlier, and now the claim for deficiencies concurrently runs against the Canadian firm and the American investors.

Tax Suit Raises Questions

Though more questions than can be adequately handled in a short article arise spontaneously faster than they can be enumerated, let alone examined, because of the significance of this case to our international economic relationships, an attempt will be made to look into the following five questions:

(1) Is our Internal Revenue Service becoming, deliberately, or, as an unforeseen consequence of our income tax laws, unwittingly an administrator exercising quasi-judicial control over U. S. international investments?

(2) In tax treaties between the United States and other countries (in this instance, Canada) designed to prevent double taxation, and promote flow of trade and investment, can we ignore an established tax action taken by the other treaty-country by taking a unilateral opposite decision without making use of treaty's provisions for consultation and other measures to handle conceivable differences that are bound to arise?

(3) Might this not cause investor doubts to be raised concerning the value, let alone legality, of risk taking abroad, particularly if stockholders will be liable for profits earned but not paid to them?

(4) Where U. S. citizens develop and promote business opportunities in foreign firms to be carried on by the firms in which they invest, an understandable inherent practice, are they to be personally taxable for the profits of the promotion if they engaged in any part of the promotional activities even though these promotional activities took place in or outside the United States?

(5) Can companies at their inception have a reasonable degree of certainty regarding the tax position ascertained by their government, and the fate in store for firms with American stockholders and directors regarding heavy U. S. taxes and penalties?

Determining Motives

Basically, the Internal Revenue Commissioner is attempting to assess the three American stockholders of Premium for profits accruing to Premium but never paid to them individually.

It is obvious from time to time that the international flow of capital will include an amount seeking a low tax refuge haven abroad to escape high taxes at home; but is this so in the case of Premium? To sift legitimate risk-seeking capital from that attempt to escape domestic taxes, through some sort of subterfuge, requires, at the least, an exceedingly fine knowledge of the international money and capital markets, and, at the most, a Herculean understanding of the motives, thinking process, prompting flow of capital abroad.

Are we capable of distinguish-

Continued on page 65

INDEX

Articles and News Page

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

For various reasons, many of the 1957 business forecasts especially written for the "Chronicle" could not be accommodated in our Annual Review and Outlook Issue of Jan. 17. These appear in today's issue starting on the cover page.

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Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Louisiana Payride

By IRA U. COBLEIGH

Enterprise Economist

A swift look at The Louisiana Land and Exploration Co. which essentially toils not, neither does it spin yet gleans uncommon results by consorting with royalty.

The darling stocks of the institutional investors are, traditionally, share interests in nationally known companies, frequently with gross earnings running into billions of dollars, corporations like duPont, General Motors, Standard Oil (N. J.), General Electric, etc. Hence it is somewhat surprising to find, regarded as among the most elite equities in America, the capital stock of LLX, which produced, in 1955, just a whisper below $25 million in total operating revenues.

Ira U. Cobleigh

Accordingly, since Louisiana Land is one of the least known securities on the investment "hit parade," and sells no brand name product, famous for consumer acceptance, a swift look at its uniquely attractive features may prove enlightening and, mayhap, even rewarding.

Louisiana Land common was not always a blue chip in black gold; in fact 25 years ago you could have picked up shares in this bayou beauty for a lowly 12½ cents apiece — shares whose equivalent equity today is worth $57. So the theme of this piece will be to explain how, in a quarter century, LLX has attained its present exalted stature and prestige.

Back in 1926 this enterprise came into existence, and acquired quite a swath of southern Louisiana marsh and bayou land in hopes of finding oil beneath. Then that renowned petroleum bird dog, Amerada Corp., located some rich petroleum-bearing salt domes by seismographic probing; and liked the prospects so well that it became a large stockholder (it still holds over 5% of the common).

Then a year or so before the 1929 unpleasantness, LLX made an important and long-range policy decision. It decided to let somebody else bear the cost of development and drilling, and aimed to stake its corporate future mainly on royalty income. But it had rather shrewd ideas about what a royalty should be. Whereas one-eighth (or 12½%) has traditionally been the standard petroleum pay to the land owner, LLX arranged with Texas Co. in 1928, for a 25% royalty on the land it owned, and 12½% on certain lands which it leased from the state; plus 8⅓% of the net from each oil dome.

This has all worked out rather well for Louisiana Land; so much so that on the 124,855 under lease to Texas Co. in 1955, LLX grossed over $12 million.

Next in revenue importance to the Texas contract, is the lease of 68,000 fee acreage to Humble Oil. 108,000 fee acres are leased to others, and 82,700 acres are under option.

Altogether, including land both owned and leased, Louisiana has about 719,000 acres (81% owned) along the Louisiana seacoast. This land is west of the Mississippi, and south of New Orleans in blocks mainly in three Parishes (Louisiana name for county) to wit, Plaquemines, Terrebonne and Lafourche. But that's not all; LLX also has mineral and royalty interests on 155,000 acres scattered through eight other states; and it has been purchasing additional state leases in Louisiana.

As to products, oil is the main one, but natural gas is on the increase. Ten billion C.F. were sold in 1955. For 1956 sales should advance at least to 12 billion C.F., and with some price improvement. For 1955 royalties from oil accounted for 87% of operating income, gas 3%. Nine per cent of the balance was in lease bonuses and rentals, with 1% coming from sulphur.

When considering oil royalty companies, there is usually some apprehension lest in-the-ground assets of the company run dry. Nobody seems to worry very much about this in the case of Louisiana Land as not only has the company been adding to its land holdings but, for several years, the annual reports have shown greater reserves at the year end, than at the beginning. Deeper drilling on existing producing land, and new wells on the 274,000 acres of unassigned land, can keep the ball rolling for years to come. Right now a fair estimate of reserves would probably be 125 million barrels of oil and 1¼ trillion cubic feet of gas.

While LLX has been doing some drilling of its own, jointly with other companes, royalties are the backbone of income, a fact that enables the company virtually to eliminate the labor problem. There are only 81 employees, who operate for the benefit of 7,350 stockholders. In an economy where the price of labor advances around 5% a year, it's nice to look at a company whose earning power is uninhibited by this costly and inflationary statistic.

Another point in favor of LLX is that it hasn't any problem of financing. The balance sheet runs around $7 million in net working capital, and there is no necessity now, or in the foreseeable future, for building a new plant, launching a high priced advertising campaign, or researching or marketing a new product. These quite common corporate procedures which demand financing, simply don't exist for Louisiana Land. The sole capitalization here is 3,943,648 shares of common, listed on the American Stock Exchange, and now selling at 57. Dividends have been paid since 1935, the 1956 distribution being $1.35 ($1.20 regular plus 15 cents extra). Since LLX has no need to plough back earnings for expansion, it has for years been a generous dividend payer delivering to shareholders above 85% of net for the past five years. 1956 net was around $1.55 per share. The stock was split 3-for-1 in May of last year.

Whereas LLX has been a sturdy market performer and sells on a rather meager current yield basis, a lot of factors appear to be operating for it on the bullish side. The great pressure for increased American production created by Suez, the recent boost of 35 cents a barrel in the price of crude, the rise in allowables in Louisiana since October of last year, the new techniques for oil extraction from deep wells, and the aggressive drilling programs of the companies with which LLX has agreements, and the sizable owned acreage as yet untouched — all these are plus values for the stockholders.

The Louisiana Land management has achieved quite a reputation for shrewd contracting of royalty agreements. New leases are concluded somewhere between 25% and 33⅓%. Lease bonuses, which are in addition to the royalty, amounted to over $2 million for 1955.

While oil investors, looking for integrated companies, will not be attracted to LLX, those who think oil in the ground (about 14 barrels per share) is an especially choice long term asset in an inflationary economy, and those who have seen other companies take fierce beatings due to labor strife, will find much that they like about Louisiana Land. Whereas kings are getting scarcer throughout the world with each passing year, royalty is becoming more popular—oil royalty that is! And if you seek income and capital gain from oil royalties, the tradition and the trend of LLX suggest that you give this stock a careful look. Long term shareholders here have enjoyed a Louisiana payride!

Observations . . .

By A. WILFRED MAY

THE AFTERMATH OF THE STOCK SPLIT

The second article in a series on the market performance of split stocks.

News accounts of the proceedings at the current annual company meetings reveal ever-increasing agitation for stock-splitting, largely based on joyful expectation of resulting market appreciation.

In our previous article we tabulated and analyzed the price changes during the entire year of all stocks split during 1956; to reveal the effect in the period surrounding the actual splitting (before and after).

A. Wilfred May

We concluded that in this particular interval, encompassing the popular anticipatory as well as the immediate post-declaration stages, the market impact, though commonly exaggerated, is considerable. Our compilation revealed that split shares in this period out-performed the un-split remainder of the market, as measured by several appropriate yard-sticks.

We now inquire into the more permanent price effect as indicated in the longer interval following the splitting action. Accordingly we have taken the issues whose splitting (by at least 2-for-1) was announced during the first 11 months of 1955, and studied the price effect of this decisive step during the remainder of 1955, and also during the interval from such 1955 announcement date to the end of 1956. In order to allow for the effect of the general market's movement, we have related the price changes in the split to the corresponding fluctuations in the Dow Jones Average covering their respective group.

This longer-term post-split study shows a far different result than that covering the "split-surrounding" period. Of the 66 issues covered:—for the post-split interval to the end of 1955, only 21 issues out-performed the Dow, 43 turned in inferior performances, and two were even. In the period to the close of 1956, 24 out-performed the market, 40 were inferior, and two were even.

Striking non-uniformity occurred between individual issues as well as industries; some stores, utilities, and oils did well; others badly. Only in the steels did all fare well.

The Dividend Factor

Hence, and as demonstrated in our preceding article, we are impressed by the fact that stock price movements are affected by many factors in addition to the split. Among the more important of these is dividend policy. Its impact on the split issues is indicated in an analysis which is to be found after the following resume of price performance.

Price Performance of Stocks Whose Splits Were Announced During First 11 Months of 1955 — Showing Price Changes Therefrom to End of 1955 and 1956, and the Changes Related to the Overall Market Movement

	Announcement Date	Price Change to Dec. 31,'55 Actual	Price Change to Dec. 31,'55 Rel. to D. J.*	Price Change to Dec. 31, 1956 Actual	Price Change to Dec. 31, 1956 Rel. to D. J.*
Briggs Mfg.	Jan. 3	— 8%	—42%	—35%	—160%
Caterpillar Tractor	Jan. 4	+50	250	+125	568
Cleveland Elec.	Jan. 4	+ 3	100	+10	100
West Penn Elec.	Jan. 5	+ 7	250	+ 4	40
Lee Rubber	Jan. 6	— 7	—32	—13	— 48
Alpha P. Cement	Jan. 22	+35	166	+40	154
U. S. Steel	Jan. 25	+51	270	+100	280
Corn Prod. Ref.	Jan. 26	+ 1	5	+ 6	26
Colum. Broadcasting	Jan. 27	—13	—60	+ 6	26
Armco Steel	Jan. 31	+40	200	+71	323
Armstrong Cork	Jan. 31	+ 6	30	+ 2	9

§The D. J. Average advanced, while the stock was unchanged, evidencing the latter's inferior performance.

*The second and fourth statistical columns, showing relative price changes adjusted to allow for changes in the market's movement, using the corresponding Dow Jones Average as an index, are computed as follows: The percentage change in the price of the stock from the announcement date to the end of 1955 and to the end of 1956 is divided by the concurrent change in the corresponding Dow Jones Average (industrial, rail, or utility). The same change as the Dow Jones Average is shown as 100. Cases of a decline in the stock price are prefaced by a minus sign; a dagger denotes that the Dow Jones Average declined.

NOTE—A performance superior to the D. J. is indicated in all cases where, without a minus sign, the figure exceeds 100%; where the figure is under 100% or is prefaced by a minus, the stock performance is inferior.

Continued on page 86

Purcell & Co. Will Admit Joffe as Partner

Purcell & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on Jan. 31 will admit Alexander E. Joffe to general partnership and Gertrude E. Purcell to limited partnership. Mr. Joffe is manager of the Customers' Brokers and New Business department.

Joseph M. Kelly With G. A. Saxton & Co.

Joseph M. Kelly has joined the trading department of G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Mr. Kelly was formerly with Starkweather & Co. and prior thereto with Burnham and Company.

Proposed SEC Rule Changes

By JAMES C. SARGENT*
Commissioner, Securities and Exchange Commission, Washington, D. C.

Abuses of "no sale theory" as applied to merger-originating stock issued without benefit of fair disclosure is decried by SEC Commissioner in discussing proposed Rule 133 revision designed to prevent illegal "boiler room" sales and not to deter bona fide mergers. Mr. Sargent illustrates to what extent unwary American investors have lost heavily in this. Claims loss of investor confidence jeopardizes $8 billion equity and debt dollars needed for 1957 industry expansion needs. The Commissioner explains when and where Rule 460 permits acceleration and the conditions governing the use of summary prospect uses, and denies SEC wants to pass on the merits of particular securities.

This last year has been a very active one for the Securities and Exchange Commission in its quasi-legislative functions. Our program of rule revision has been necessary in order to keep abreast of the constantly changing techniques and conditions in today's dynamic securities markets. The Commission has promulgated changes in its Form S-1, our most commonly used registration form under the Securities Act of 1933; Form 10, 8-B, and 8-C, which are the principal forms for registration of securities on national securities exchanges; and in the Proxy Regulation X-14. These form amendments complete a program undertaken in 1953 to coordinate and make uniform, so far as possible, the information required in the basic registration for new issues under the Securities Act of 1933 and for securities registered and traded on national securities exchanges and proxy statements under the Securities and Exchange Act of 1934. The program's objective has been the simplification of the forms and the elimination of duplicate filings previously required under the different provisions of the Federal securities laws.

James C. Sargent

The practical significance of this amendment program has been to permit more extensive incorporation by reference of information already on file into these new amended forms, which reduces costs and the time of preparation of such filings for all concerned. Now, the new Form S-1 contains more detailed instructions to assist you in the preparation of the form. Some of these instructions have been part of the administrative practice followed by our Division of Corporation Finance for years, but have never previously been made part of the form.

Much study has been devoted during 1956 to other changes in the Commission's rules, regulations and forms.

Amongst those rule changes still pending is the proposed revision of Rule 133, which the Commission is actively considering at this very moment.

I would like to take this opportunity to acknowledge the continuing interest of the American Society of Corporate Secretaries in our work and point out this Commission's appreciation of the informed views and comments relayed to us by your individual members from time to time on this matter and on other proposed rule changes. Your viewpoints are given the most careful consideration, for we recognize your "expertness" in the practical day-to-day problems of corporate management and the value of your opinions as to the impact our rule-making activities may have on your respective companies.

Before getting to the background of Rule 133, I want to bring to your attention the fact that we have had vast problems with our enforcement program as a result of this rule. With this rule on the books, attorneys have advised their clients that stock issued as a result of mergers may be resold immediately without registration. Capital structures of companies, some of which are "fly-by-night," highly speculative ventures, have mushroomed to incredible proportions, with American public investors purchasing shares of companies about which there is little or absolutely no reliable information. These activities, with which we are presently being confronted, are very much like those existing in the 1920's which gave rise to Congress' enactment, beginning in 1933, of the Federal securities acts.

Now, for a little history. Our vital concern in administering disclosure statutes is that at all times the public investor be given the necessary and essential facts so that he can exercise an informed judgment when investing. This is what we believe Congress intended.

Section 5 of the Securities Act provides in effect that it shall be unlawful to "sell" securities in interstate commerce without registration.

Section 2(3) of the Securities Act defines a "sale" to include, amongst other things, "every contract of sale or disposition of a security . . . for value."

This Commission's Rule 133, as presently in effect, provides in substance that for purposes of Section 5, i.e., registration, certain classes of statutory mergers, reorganization and consolidations are not "sales" in spite of the definition of "sale" as contained in Section 2(3) of the Securities Act of 1933. Inasmuch as such transactions are not deemed "sales" within the meaning of Section 5 of the Securities Act, the issuance of new securities in consummation of these transactions is not subject to the registration requirements of the Act.

This rule gave rise to the phrase "no sale theory." At the very outset of securities regulations by the Federal Government, the staff of the Federal Trade Commission, who first administered the Securities Act until this Commission was created in 1934 by the Exchange Act, concluded that a merger was a "sale" within the meaning of that word for purposes of registration. In late 1934, the first General Counsel of the Securities and Exchange Commission reversed this opinion and concluded that no registration was required for mergers. In September, 1935, this interpretation of "no sale" was adopted and applied to mergers as a footnote instruction to our Form E-1, at that time one of our registration forms. This, in my opinion, was a rather curious place to put it.

In the now famous National Supply Co. vs. Leland Stanford Jr. University case, the Circuit Court of Appeals for the Ninth Circuit, in reversing the District Court, stated, among other things, that it was in accord with this Commission's view expressed in its *amicus curiae* brief that securities issued pursuant to a consolidation of two companies did not constitute a sale. The Supreme Court of the United States denied *certiorari* and there has been no further judicial guidance other than this Circuit Court decision on this matter.

In 1947, the Commission rescinded Form E-1 and the "no sale" Rule contained therein. This theory, however, was applied administratively thereafter, although no rule was promulgated to that effect. Finally, in 1951, the Commission adopted Rule 133, which applied the "no sale" theory to reclassifications of securities as well as mergers, consolidations and transfers of assets.

The rule in the last two years has presented considerable problems. Where full disclosure is made to stockholders under the proxy rules, there has been a good history of disclosure and investor protection under Rule 133 mergers. However, Rule 133 has recently been employed as a means to evade the full disclosure requirements of the Securities Act.

Millions of dollars of securities have been illegally sold to unwary American investors through the "boiler room" techniques. By "boiler room" I mean those brokerage houses that have recently cropped up and which use the long-distance telephone and high pressure tactics in the sale of securities of questionable value. Large blocks of securities, having little or no value, have been "freed-up" in reliance upon the opinions of attorneys that there was no sale under Rule 133 and that registration was, therefore, not required. These securities have then been sold through the use of false and fraudulent verbal misrepresentations to investors in every part of this country. We want to stop these tactics before and *not after* investors have been badly "burned."

The proposed revised rule is not intended to preclude negotiations and consummation of legitimate mergers nor to have any effect upon the availability of a Section 3(a)(9) exchange of securities exemption. If adopted, the Rule will require a disclosure of the basic investing facts to stockholders who are asked to approve of such transactions or to new prospective investors who may wish to purchase the new securities. This disclosure is, in fact, nothing more than what many companies do as a matter of course in terms of giving fair disclosure of the basic merger facts.

Let me give you an illustrative actual case of this evil. Recently, a brokerage firm was touting an oil company's securities, following a "no sale" merger, by allegations that the oil reserves totaled 20 million barrels. When the company subsequently filed a registration statement of new shares, it admitted to only 2 million barrels of oil reserves. The Commission's oil geologist has challenged even this estimate. The vice here is that the old shares that were issued under Rule 133 were admittedly sold on overstated, false oil estimates of at least 18 million barrels. In addition, the old securities were sold on meager financial facts that have never been certified. This, and many other cases are under active investigation by our New York Regional Office and they involve millions of dollars of securities sold to thousands of unwary investors throughout the United States.

Let me be even more specific. Recently, SEC enforcement investigators have discovered that 49 corporate issuers have sold $83,500,000 worth of stock under purported compliance with Rule 133, or pursuant to other claimed exemptions, without making any disclosures to the public investors.

In six "boiler room" broker-dealer firms, located in New York City, some 9 million shares of such "freed up" stock of highly questionable value, mostly concentrated in four issues, were sold to some 24,000 American public investors solicited by telephone throughout the United States over a period of between one and eight months during 1956. The total proceeds derived from these sales by these six houses alone exceeded $30,000,000, indicating a gross

Continued on page 72

*An address by Mr. Sargent before the American Society of Corporate Secretaries, New York City, Jan. 16, 1957.

Our Responsibility as World's Dominant Economic Power

By JOHN J. McCLOY*
Chairman of the Board, Chase Manhattan Bank

In reflecting upon our position of world leadership, the crucial importance of continued oil flow to Europe, and importance of European economic health to U. S. A., Chase Manhattan top executive points out: (1) it will not be too long before the Suez Canal is cleared; (2) our domestic economy is going along at a vigorous pace; (3) there's no need for Marshall Plan for Europe, but that, instead, a serious effort should be made to render economic aid to underdeveloped areas; and (4) a real Suez solution should include usage without discrimination and proper canal maintenance. Mr. McCloy sees need for alternative sources of energy for Europe, including nuclear energy; terms Syrian interruption of oil pipeline flow as about as "highhanded" as anything else that occurred in that area; and urges that we not take our eyes off Europe, "the dynamic center of the economy and the thought of the free world."

It does seem an interminably long time since Bill Batt [President of the World Affair's Council of Philadelphia and former President of SKF Industries, Inc.] and I last discussed Europe's outlook for recovery. (Jan. 12, 1948 at the Chamber's First Forecasting Conference.) As he said, I was then President of the World Bank and we talked a great deal about the Marshall Plan which was then under debate. Both of us strongly urged the adoption of that Plan. Well the Plan was adopted and there are few who do not acknowledge that it was a great success. Europe which was in a dangerously fluid state emerged as a stabilized political and economic community. Our alliances were strengthened with Great Britain and Western Europe, Germany waxed strong and the Gateway of the West was barred to Communism and Russian expansion. Indeed, the Soviet sought easier fields of conquest and shortly thereafter moved to the East and the Southeast and immediately there was introduced in those areas a period of strife and infiltration, involving even large scale war. The loss of China was complete and attention was sharply deflected from Europe to places like Vietnam, Cambodia, Quemoy, Matsu, with whose very names very few Americans were familiar.

John J. McCloy

Dependence on Middle East Oil

As Bill Batt pointed out, we have shifted the emphasis of our aid to foreign countries from economic to primarily military. Now we have just had another harassing expression of the Communist free world post-war struggle, this time in an area in which storm signals have long been giving warning, namely, the Middle East. The abortive attempt on the part of Israel, France and Great Britain to accomplish through force a settlement of the conditions in that area is now a part of history. Perhaps the most glaring result of it all has been the unmasking of Allied weakness with respect to the area and respect to uncoordinated policy. Revealed also is the very heavy dependence of Western Europe, if not of other parts of the world, on Middle East oil and the lines of communication over and through which that oil must flow. It is not just oil and Europe which are involved; in addition, the dry cargos of the East and the flow of these cargos are an extremely important element in the world's economy.

I must say that the whole episode has left me with a very heavy sense of depression. I happen to think, of course, that the President took a proper course, but it is not pleasant to find ourselves compelled to vote against Britain and with the Communist States, however justifiable our action. If there could be found one glimmer of satisfaction in the whole affair, it is that we have now been compelled to face up to the situation and to the realities of world power which have been disclosed to us and to our friends in a most revealing form. This disclosure may, if we are wise enough to act upon it, lead to future dispositions of larger import and efficacy than those applied in the past. At best however, it was a dreary affair with recriminations coming from sources that shock us and I dare say that it will be some time before we are restored to that atmosphere of mutual confidence and far reaching understanding that must remain the base of the Free World's alliance.

In attempting an outlook for the future, I do not see how we can escape a reappraisal of the international scene. Domestically we seem to be going along at a vigorous pace. To be sure automobile production is not breaking any 1955 records, but the likelihood has been pointed out of our having a very good year by any reasonable standards. Business expansion is continuing and demand keeping up and savings are good. Soft spots show up here and there and one may wonder how long the demand for expansion money can and should keep up. However the opinions which I receive do give basis for a steady weather forecast for the immediate economic future, certainly for the year that we are in. But suppose there should be a real halt to the economic progress of Europe? We know by this time that the world economy is closely inter-related. We certainly have had enough lessons to assure us of that fact. We all know that both the United States and Europe greatly profited by the economic rehabilitation which the Marshall Plan helped to restore and we all know that we can't expect booming prosperity here if the rest of the world is not sharing in that prosperity.

Fortunately we recently have been able to take steps to alleviate the sudden diminution of the oil supply to Europe from the Middle East, but for a time there was a very ugly exposure of Europe's dependence on the continuity of the flow of that vital commodity. The economies of Europe and Southeast Asia are still dependent to a pronounced degree upon the flow of traffic through the Canal. Whether the Canal retains its present overwhelming strategic importance or not, the flow of raw and finished materials and the steady improvement of living standards of the world, are vital factors for our American economy as well as those of Europe and Asia.

Must We Supply Leadership?

Mr. Batt asked the rhetorical question: "Is there ever to be an end to the demand for United States leadership?" I would answer it by asking another question. Is there ever an end for the demand of leadership from any leader? I suppose that as long as we remain the world leader there will be no letup. There never was any slackening of the demands on Rome or Britain and I dare say there will be none on us. I believe today we symbolize to the world, more than any other country in the past, the aspect and the hope of a free society.

I do not foresee that we shall be called upon for another "Marshall Plan for Europe" but I do foresee that we shall be called upon quite as heavily as we have been in the past for political and indeed military leadership. We cannot permit the Middle East nor the Far East to drift into situations which, when they reach the point of crisis, menace the whole basis of the free world. I can see the real need of a serious effort to duplicate for these undeveloped countries the economic benefits which the Marshall Plan brought to Europe. The operation is a much different one and different methods and objectives will have to be followed. The sums need not be as large but the problems provoke much more exacting tests of administration and execution.

Mr. Batt has spoken of the necessity of applying such aid without too many strings to it and I thoroughly agree with this statement. The objective of this sort of aid is to establish a better economy, to develop sound self-interest progress on the part of the area aided. The objectives are not military bases nor alliances nor votes in the United Nations or some other such conditional benefit. The only condition should be that the country to be aided should not be hostile to us; for I am perhaps not enough of a Christian in international affairs to suggest that we should aid the outright enemies of our system of life.

We are now having many surveys made of our programs. The Senate and the House and a substantial Presidential Commission have all been studying this matter. Other less official bodies have also conducted many studies on this subject and naturally we are all anxious to see the results of those studies for they may deeply affect our future. Certainly they can play a most significant part in the maintenance of the economic stability on which so many political forces depend in the world today. I repeat that I feel that all considerations point to the wisdom of adopting an aid program toward the underdeveloped countries which is non-political and non-military in the same sense that the Marshall Plan was; if only to see if we cannot achieve in these increasingly important areas some measure of the success achieved in the complicated economies of Western Europe. Again, I say, it is a very good gamble.

Create a Proper Program

I have only a few thoughts to suggest in regard to our position of leadership in this field. I plead very strongly for great flexibility in the administration of these programs. Already we have far too many minor restrictions placed on even our military programs.

In the ever present battle be-

Continued on page 70

*An address by Mr. McCloy at the 10th Annual Forecasting Conference of the Chamber of Commerce of Greater Philadelphia, Jan. 17, 1957.

The State of Trade and Industry

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

A sharp rise in the production of automobiles, coal, paperboard and lumber in the period ended on Wednesday of last week boosted over-all industrial output noticeably above that of the preceding week.

Total output moderately exceeded that of the corresponding 1956 period, with year-to-year gains in the steel, electric power and petroleum industries.

There was a 6% rise in electric power output, and it was 6% higher than that of a year ago. The most noticeable gains occurred in the South Central and Southwest regions. Awards for heavy civil engineering construction contracts fell 11% last week and were 45% below those of last year, according to the "Engineering News Record."

With respect to employment, it is noted that claims by newly-laid off workers for unemployment insurance went up by 35,600 to a total of 383,500 during the week ended Jan. 12, the Bureau of Employment Security reported.

The agency said the increase was seasonal and occurred in the construction, trade, food processing, apparel and textile industries. Some 35 states reported the increases. Initial claims for the like week of 1956 totaled 322,600.

The Bureau also reported insured unemployment rose by 253,600 to a total of 1,721,000 in the week ended Jan. 5. The increase, the agency said, reflected the continuing effects of post-holiday and year-end inventory lay-offs, seasonal cutbacks in construction, food processing and apparel and postponing of benefits to some claimants because of the New Year's holiday. All but five states reported increases according to this agency.

In the steel industry this week, steel demand from automotive and appliance industries admittedly is lagging. Auto sales generally have fallen behind expectations and Detroit is gearing its steel buying accordingly, states "The Iron Age," national metalworking weekly.

It is apparent the only effect of automotive cancellations and deferments so far is that other steel users are inheriting a windfall. Some mills are having little or no trouble finding a home for steel that Detroit has no use for at the moment, declares this trade weekly.

Meanwhile, the strength of other major steel-using industries is keeping the steel operating rate close to capacity and on the basis of a new capacity figure of 5,000,000 tons better than that of last year.

These front-running industries include oil and gas, shipbuilding, construction and freight car building. For some of them there is not enough steel available to fill their needs. Orders for oil country goods, linepipe, plate and structurals continue to outpace ability to produce.

A check by "The Iron Age" shows that new plant and equipment orders will help support the steel market and that oil industry orders are up sharply for tubing, casing and linepipe. Further, plans for defense buildup will take larger steel tonnages than formerly. Together with the foregoing, road building plans are up sharply for 1957.

Even without benefit of some appliance and automotive tonnage, the sheet market is strong for first quarter. Order cancellations are relatively rare since customers are keeping their foot in the door in case the market perks up. In addition, it would take only a moderate spurt in appliances or autos to tighten up the flat-rolled market.

Significantly, some gray market plate and structural tonnage is still being offered to warehouses and fabricators from Chicago brokers.

The situation in sheets varies from market-to-market. In some areas, mills have tonnages to offer for March and even for late February delivery, while other mills have begun booking cold-rolled sheet orders for April and say that tonnage is coming in at a satisfactory rate.

Steel scrap prices continue to fall. Prices of top steelmaking grades are off as much as $3 per ton in important consuming areas.

Although business failures declined seasonally in December to 982, they noticeably exceeded the 908 of December 1955. Total failures for 1956 reached a postwar high of 12,686. While 16% more businesses failed in 1956 than in a year ago, the level was 7% below the 13,619 in prewar 1940.

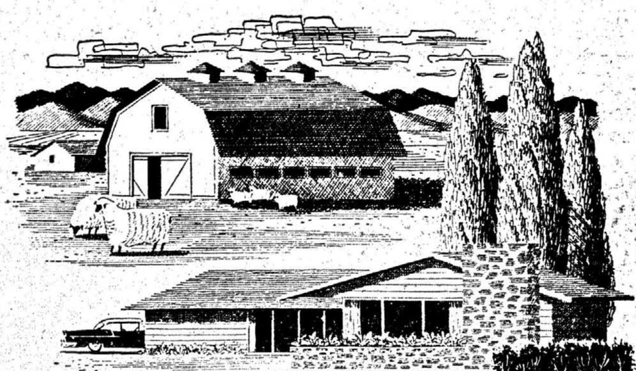
Failures occurred during 1956 at a rate of 48 per 10,000 enterprises listed in the Dun & Bradstreet "Reference Book," as shown by Dun's "Failure Index." This rate exceeded the 42 per 10,000 in 1954 and 1955, the previous postwar peak, but it was considerably below the rate of 63 recorded in 1940.

Total liabilities of failures in 1956 climbed to $562,697,000, with a marked increase of 25% among businesses with liabilities in excess of $100,000. Failures of smaller sizes ranged from 14 to 18% above 1955, while casualties with liabilities under $5,000 were less numerous than in 1950, but tolls in all other size groups reached record high levels for the postwar period.

Failures of concerns under five years old continued to predominate, accounting for 58.6% of the 1956 total. The proportion of failures of concerns over 10 years old has risen from 9.1% in 1947 to 18.3% in 1956.

Casualties in all industry and trade groups rose in 1956, with a 31% increase among construction concerns. There was a noticeable rise in the toll among retailing and commercial

Continued on page 75



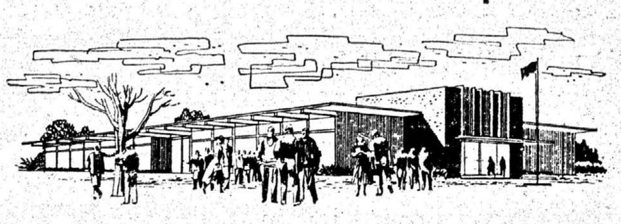
New Issues

$85,000,000

5%, 4¾%, 4%, 3¼% and 3%

VETERANS' BONDS, STATE SCHOOL BUILDING AID BONDS

STATE OF CALIFORNIA



ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

$50,000,000
Veterans' Bonds, Act of 1956, Series K

Dated February 1, 1957
Due August 1, 1958-77, incl.

Amount	Coupon Rate	Due	Yield or Price
$2,000,000	5%	1958	2.50%
2,000,000	5	1959	2.60%
2,000,000	5	1960	2.70%
2,200,000	5	1961	2.80%
2,200,000	4¾	1962	2.90%
2,200,000	3	1963	100
2,300,000	3	1964	100
2,300,000	3	1965	3.05%
2,300,000	3	1966	3.05%
2,500,000	3	1967	3.10%
2,500,000	3	1968	3.10%
2,500,000	3¼	1969	3.15%
2,700,000	3¼	1970	3.15%
2,700,000	3¼	1971	3.20%
2,700,000	3¼	1972	3.20%
2,900,000	3¼	1973*	100
2,900,000	3¼	1974*	100
2,900,000	3¼	1975*	100
3,100,000	3¼	1976*	100
3,100,000	3¼	1977*	100

* Bonds maturing 1973-77, subject to call at par, plus accrued interest, on and after August 1, 1972, as described herein.

$35,000,000
State School Building Aid Bonds, Series M

Dated January 1, 1957
Due May 1, 1959-83, incl.

Amount	Coupon Rate	Due	Yield or Price
$1,200,000	5%	1959	2.60%
1,200,000	5	1960	2.70%
1,200,000	5	1961	2.80%
1,200,000	5	1962	2.90%
1,200,000	5	1963	3.00%
1,300,000	4	1964	3.00%
1,300,000	3¼	1965	3.05%
1,300,000	3¼	1966	3.05%
1,300,000	3¼	1967	3.10%
1,300,000	3¼	1968	3.10%
1,400,000	3¼	1969	3.15%
1,400,000	3¼	1970	3.15%
1,400,000	3¼	1971	3.20%
1,400,000	3¼	1972	3.20%
1,400,000	3¼	1973	100
1,500,000	3¼	1974	100
1,500,000	3¼	1975	100
1,500,000	3¼	1976	100
1,500,000	3¼	1977	100
1,500,000	3¼	1978	3.30%
1,600,000	3¼	1979*	3.30%
1,600,000	3¼	1980*	3.35%
1,600,000	3¼	1981*	3.35%
1,600,000	3¼	1982*	3.40%
1,600,000	3¼	1983*	3.40%

* Bonds maturing 1979-83 subject to call at par, plus accrued interest, on and after May 1, 1978, as described herein.

Principal and semi-annual interest (February 1 and August 1), for the $50,000,000 Veterans' Bonds and principal and semi-annual interest (May 1 and November 1) for the $35,000,000 State School Building Aid Bonds, payable at the office of the Treasurer of the State of California in Sacramento, California, or at the option of the holder at the office of any duly authorized agent of the State Treasurer, including the agent of the State Treasurer in New York City. First coupon payable August 1, 1957, for the $50,000,000 Veterans' Bonds and first coupon payable May 1, 1957, on the $35,000,000 State School Building Aid Bonds. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

Veterans' Bonds maturing on and after August 1, 1973, are subject to redemption at the option of the State, as a whole or in part, on August 1, 1972 (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. State School Building Aid Bonds maturing on and after May 1, 1979, are subject to redemption at the option of the State, as a whole or in part, on May 1, 1978 (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Publication of notice of redemption shall be once a week for two weeks not less than 30 days nor more than 90 days prior to said date of redemption, in each of the Cities of San Francisco, Sacramento and Los Angeles, California. If less than all the bonds should be redeemed, they shall be called in inverse numerical order, the part so called not less than all the bonds maturing in any one year.

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

We believe these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Veterans' bonds, issued under the Veterans' Bond Act of 1956 (Article 5F, Chapter 6, Division 4, Military and Veterans Code) for Veterans purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the Veterans' Bond Act of 1956 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of assisting California war veterans to acquire farms and homes, the cost of which must be repaid to the State on an amortized purchase basis.

State School Building Aid Bonds, issued under provisions of State School Building Aid Bond Laws of 1954 (Chapter 23, Division 3, Education Code) for school purposes, in the opinion of counsel are valid and binding general obligations of the State of California payable in accordance with their terms out of the General Fund of the State, and the full faith and credit of the State of California is pledged for the punctual payment of both principal and interest. Under the enabling statute the State is obligated to collect annually, in the same manner and at the same time as other state revenue is collected, such sum in addition to the ordinary revenue of the State as shall be required to pay principal and interest on the bonds as the same become due. The bonds were authorized by the electorate on November 2, 1954, for the purpose of providing aid for school construction in the State, the amounts thereof to be repaid, in whole or in part, by the districts receiving aid.

These bonds are offered when, as and if issued and received by us and subject to approval of legality by the Honorable Edmund G. Brown, Attorney General of the State of California, and by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

Bank of America N.T.&S.A. — Bankers Trust Company — The Chase Manhattan Bank — The First National City Bank of New York — The First National Bank of Chicago — Halsey, Stuart & Co. Inc.
Blyth & Co., Inc. — The First Boston Corporation — Harriman Ripley & Co. Incorporated — Harris Trust and Savings Bank — Smith, Barney & Co.
Lehman Brothers — American Trust Company San Francisco — Drexel & Co. — Glore, Forgan & Co. — Chemical Corn Exchange Bank
C. J. Devine & Co. — The Northern Trust Company — Continental Illinois National Bank and Trust Company of Chicago — R. H. Moulton & Company
Goldman, Sachs & Co. — Kidder, Peabody & Co. — Eastman Dillon, Union Securities & Co. — Bear, Stearns & Co. — Merrill Lynch, Pierce, Fenner & Beane
Blair & Co. Incorporated — Weeden & Co. — The First National Bank of Boston — The First National Bank of Portland, Oregon — The Philadelphia National Bank
Seattle-First National Bank — Security-First National Bank of Los Angeles — Equitable Securities Corporation — Stone & Webster Securities Corporation
Dean Witter & Co. — Phelps, Fenn & Co. — White, Weld & Co. — Salomon Bros. & Hutzler — R. W. Pressprich & Co.
Paine, Webber, Jackson & Curtis — Mercantile Trust Company St. Louis — Shields & Company — California Bank Los Angeles — Reynolds & Co.

American Securities Corporation — J. Barth & Co. — Alex. Brown & Sons — Clark, Dodge & Co. — Dick & Merle-Smith — Dominick & Dominick
First of Michigan Corporation — Hallgarten & Co. — Hayden, Stone & Co. — Hemphill, Noyes & Co. — Hornblower & Weeks — Laidlaw & Co.
Lee Higginson Corporation — Carl M. Loeb, Rhoades & Co. — F. S. Moseley & Co. — National State Bank Newark — John Nuveen & Co. (Incorporated)
L. F. Rothschild & Co. — Schoellkopf, Hutton & Pomeroy, Inc. — William R. Staats & Co. — Stroud & Company Incorporated — Andrews & Wells, Inc.
Bache & Co. — Baxter & Company — A. G. Becker & Co. Incorporated — J. C. Bradford & Co. — Branch Banking & Trust Company
Braun, Bosworth & Co. Incorporated — Coffin & Burr Incorporated — Francis I. duPont & Co. — Estabrook & Co. — E. F. Hutton & Company — Kean, Taylor & Co.
The Marine Trust Company of Western New York — Laurence M. Marks & Co. — W. H. Morton & Co. Incorporated — Roosevelt & Cross Incorporated — Shearson, Hammill & Co.
Tucker, Anthony & R. L. Day — B. J. Van Ingen & Co. Inc. — Wertheim & Co. — Bacon, Stevenson & Co. — Bacon, Whipple & Co.
Barr Brothers & Co. — City National Bank & Trust Co. Kansas City, Mo. — R. S. Dickson & Company Incorporated — Eldredge & Co. Incorporated — Fidelity Union Trust Company Newark
Geo. B. Gibbons & Company Incorporated — Gregory & Sons — Ira Haupt & Co. — Hirsch & Co. — W. E. Hutton & Co. — The Illinois Company Incorporated
A. M. Kidder & Co. — Wm. E. Pollock & Co., Inc. — F. S. Smithers & Co. — Spencer Trask & Co. — Trust Company of Georgia
Wachovia Bank and Trust Company — G. H. Walker & Co. — Robert W. Baird & Co., Incorporated — William Blair & Company
Bramhall, Falion & Co., Inc. — Brown Brothers Harriman & Co. — Commerce Trust Company Kansas City, Mo. — King, Quirk & Co. Incorporated
Mercantile-Safe Deposit and Trust Company — National Bank of Commerce of Seattle — Newhard, Cook & Co. — New York Hanseatic Corporation
The Ohio Company — Schwabacher & Co. — Stern Brothers & Co. — J. S. Strauss & Co. — Taylor and Company — Tripp & Co., Inc.
Van Alstyne, Noel & Co. — Chas. E. Weigold & Co. Incorporated — Robert Winthrop & Co. — Wood, Struthers & Co. — Byrne and Phelps Incorporated
A. G. Edwards & Sons — Glickenhaus & Lembo — G. C. Haas & Co. — Hannahs, Ballin & Lee — Lawson, Levy & Williams
Irving Lundborg & Co. — Model, Roland & Stone — Rand & Co. — Rauscher, Pierce & Co., Inc. — Shuman, Agnew & Co.
W. R. Stephens Investment Co., Inc. — Stern, Lauer & Co. — Third National Bank in Nashville — R. D. White & Company
Wood, Gundy & Co., Inc. — H. E. Work & Co. — Auchincloss, Parker & Redpath — Barret, Fitch, North & Co. — C. F. Childs and Company Incorporated
City National Bank & Trust Company of Chicago — Julien Collins & Company — Courts & Co. — Cruttenden, Podesta & Co. — Shelby Cullom Davis & Co.
Elkins, Morris, Stokes & Co. — Fahey, Clark & Co. — The First National Bank of Memphis — Freeman & Company — Hayden, Miller & Co.
Kenower, MacArthur & Co. — McDonald & Company — The National City Bank of Cleveland — Raffensperger, Hughes & Co. Incorporated — Rippel & Co.
Ryan, Sutherland & Co. — Atkinson and Company — Blunt Ellis & Simmons — A. Webster Dougherty & Co. — Federation Bank & Trust Company
Field, Richards & Co. — Fulton Reid & Co., Inc. — Ginther & Company — Granbery, Marache & Co. — Hill Richards & Co.
McCormick & Co. — McDonald-Moore & Co. — The Milwaukee Company — Mullaney, Wells & Company — D. A. Pincus & Co.
Schaffer, Necker & Co. — Shannon & Company — Stubbs, Smith & Lombardo, Inc. — Talmage & Co. — Thomas & Company
Chas. N. Tripp Company — Anderson & Strudwick — Allan Blair & Company — Brush, Slocumb & Co. Inc. — Henry Dahlberg and Company
Ernst & Company — Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. — Robert Garrett & Sons — Goodbody & Co. — Hooker & Fay
Kalman & Company, Inc. — Lyons & Shafto Incorporated — A. E. Masten & Company — McDonnell & Co. — Wm. J. Mericka & Co., Inc.
J. A. Overton & Co. — Park, Ryan, Inc. — The Peoples National Bank of Charlottesville, Va. — Pierce, Carrison, Wulbern, Inc. — Piper, Jaffray & Hopwood
The Robinson-Humphrey Company, Inc. — Rockland-Atlas National Bank of Boston — H. V. Sattley & Co., Inc. — Scott, Horner & Mason, Inc.
Seasongood & Mayer — Shaughnessy & Company, Inc. — John Small & Co., Inc. — Soden Investment Company — Stein Bros. & Boyce
Stix & Co. — Stone & Youngberg — Stranahan, Harris & Company — Sutro Bros. & Co. — Thornton, Mohr & Farish
Townsend, Dabney and Tyson — J. C. Wheat & Co. — Winslow, Cohu & Stetson — Arthur L. Wright & Co., Inc. — Zahner and Company
Boettcher and Company — Bosworth, Sullivan & Company, Inc. — Burns, Corbett & Pickard, Inc. — Channer Securities Company
The Continental Bank and Trust Company Salt Lake City, Utah — Davis, Skaggs & Co. — Dwinnell, Harkness & Hill Incorporated — Ferris & Company
The First Cleveland Corporation — First of Texas Corporation — Foster & Marshall — Janney, Dulles & Battles, Inc.
Lucas, Eisen & Waeckerle Incorporated — McMaster Hutchinson & Co. — Northwestern National Bank of Minneapolis — Pacific Northwest Company — Prescott & Co.
Rodman & Renshaw — Stern, Frank, Meyer & Fox — The Weil, Roth & Irving Co. — Fred D. Blake & Co. — Doll & Isphording, Inc.
Clement A. Evans & Company Incorporated — Fauset, Steele & Co. — The First of Arizona Company — J. B. Hanauer & Co. — Interstate Securities Corporation
Magnus & Co. — J. Earle May & Co. — Merrill, Turben & Co., Inc. — Penington, Colket & Co. — Republic National Bank of Dallas
Walter Stokes & Company — Wagenseller & Durst, Inc. — Walter, Woody and Heimerdinger — C. N. White & Co. — Wilson, Johnson & Higgins

A circular relating to these bonds may be obtained from any of the above underwriters.

January 18, 1957

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Book describing industrial opportunities in area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

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.

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

Business Trends & Progress, 1957 Edition—Graphic picture from 1836 to 1956—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Canadian Financial Facts and Comment—Bulletin—Gardiner, Annett Limited, 335 Bay Street, Toronto 1, Ont., Canada.

Chilean Copper Situation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are a review of the market, and data on **Illinois Central Railroad, Smith Corona, Square D Co., American Potash & Chemical** and **Mississippi River Fuel Corp.**

Dividends Over the Years—Revised edition of common stocks which have paid cash dividends each year for 20 years or more, including stocks most favored by institutional investors and stocks with a record of paying progressively higher dividends over the past 10 years—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

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

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

Missile Makers—"Highlight" No. 32—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

New Orleans Bank Stocks—Comparative figures—Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La. Also available is a bulletin on **Caddo Parish, La. Parish-wide School District Bonds**

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.

Refined Sugar Distribution for 1956—Bulletin—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

United States Banks—Comparative figures on 15 largest banks in the U. S.—Bankers Trust Company, Bond Department, 16 Wall Street, New York 15, N. Y.

Yield Comparison—High grade preferred versus common stocks—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y.

* * *

American Hospital Supply Corporation—Analysis—A. C. Allyn and Company, Incorporated, 122 South La Salle Street, Chicago 3, Ill.

American Marietta—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Amphenol Electronics—Report—Coburn & Middlebrook, Inc., 165 Broadway, Room 1005, New York 6, N. Y.

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

Applied Science Corporation of Princeton—Analysis—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Atlantic Coast Line Railroad Co.—Memorandum—Schirmer, Atherton & Co., 50 Congress Street, Boston 9, Mass.

Beattie Duquesne Mines Ltd.—Bulletin—Don Buchholz, Inc., 32 Broadway, New York 4, N. Y.

Canadian Oil Companies, Limited—Analysis—McLeod, Young, Weir & Company Limited, 50 King Street, West, Toronto, Ont., Canada.

Commonwealth Oil—Report—Mickle & Company, Bank of the Southwest Building, Houston 2, Texas.

Douglas Aircraft Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Federal Paper Board Company—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Fireman's Fund Insurance—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Gas Service Company—Report—David A. Noyes & Company, 208 South La Salle Street, Chicago 4, Ill.

General Contract Corporation—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Goebel Brewing Company—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Interprovincial Pipe Line Company—Analysis—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Isabella Mines, Inc.—Bulletin—Cleek-Tindell Co., Inc., Paulsen Building, Spokane 1, Wash.

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

Laclede Gas Company—Annual report—Laclede Gas Company, St. Louis 1, Mo.

Lone Star Steel Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Pepsi Cola Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Vitro Corporation of America.**

Republic National Life Insurance Co.—Memorandum—Sanders & Co., Republic National Bank Building, Dallas 1, Texas.

Resort Airlines Inc.—Memorandum—Eisele & King, Libaire Stout & Co., 50 Broadway, New York 5, N. Y.

Sheraton Corp. vs. Hilton Hotels Corp.—Comparison—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Steel Company of Canada Limited—Analysis—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Tremont Motel Corp.—Memorandum—Berry & Co., 37 Wall Street, New York 5, N. Y.

Union Electric Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Westcoast Transmission Company Limited—Study—Kippen & Company Inc., 607 St. James Street, West, Montreal, Que., Canada.

NSTA Notes

STANY EMPLOYMENT COMMITTEE

Thomas A. Larkin

Nathan A. Krumholz, President of the Security Traders Association of New York, announced the appointment of Thomas A. Larkin of Goodbody & Co. as Chairman of the STANY Employment Committee. Its purpose is to attempt to place traders in various jobs throughout the Street.

It is suggested that any firms looking for traders, or traders looking for jobs, contact Mr. Larkin at BArclay 7-0100.

The Committee consists of the following members: Walter T. O'Hara of Thomson & McKinnon; Oliver J. Troster of Troster, Singer & Co.; Joseph D. Krasowich, of Gregory & Sons.

Naturally, all inquiries will be treated in the strictest of confidence.

COMING EVENTS

In Investment Field

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.

Feb. 8, 1957 (Boston, Mass.)
Boston Securities Traders Association 33rd annual dinner at the Hotel Bradford.

March 8, 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.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

John Raggio to Be Hooker, Fay Partner

SAN FRANCISCO, Calif.—John Raggio on Feb. 1 will be admitted to partnership in Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Raggio has been manager of the local office of Harris, Upham & Co. and prior thereto was a principal of Raggio, Reed & Co.

Learning to Multiply And to Divide Output

By ROGER M. BLOUGH*
Chairman, United States Steel Corporation

In asseverating the causal relationship between a nation's strength and its capital formation success, U. S. Steel Chairman expounds on the crucial economic importance of learning better how to multiply our economic capabilities and to divide resulting production among output-contributors. Mr. Blough states the success we have had in balancing production and distribution is endangered by current slighting of the former and overemphasis of the latter and, thus, points out we must increase capital outlays 40-50% in next ten years by about $65 billion annually. Warns of inflation's dangers and of saving's deficiency, and calls for thorough study of tax rate's effects. Author credits our growth to: willingness to risk savings more readily and productively than people in other countries; upward income redistribution; mass ownership of big business, and economic freedoms.

Meeting as we do as an Economic Club, we are caught in a web of mutual interest—the broad examination of that unmanageable, mysterious, hydra-headed, common national adventure which we call economics. For whether we attempt to mold it, to tolerate it, or merely to recognize it, each one of us lives by economic precepts. We are co-adventurers on the road which can lead, we hope, to plenty and to the good life for all. And it is in that spirit—that inquiring and analytical mood—that I should like to review the course of our own economic development, and to discuss some of our present-day prospects and problems as I see them.

Roger M. Blough

As a businessman, I sometimes think in terms of Charles Kettering's whimsical definition of science in general: He said it is "anything you can't understand." So realizing what monumental obfuscation can surround every self-appointed economist, I am going to try to keep it simple.

Long years ago, in our valley, there was a little white one-room schoolhouse . . . not a little red schoolhouse; even in those days we must have had the foresight to paint ours white! The smaller front desks were just right for little tots; and the last row could accommodate, very comfortably, a 12-year-old boy, day-dreaming behind a propped-up geography book. With all eight grades in one room, there was, of course, a certain amount of confusion and distraction; and yet—in this undoubtedly inadequate schoolroom—knowledge somehow slowly filtered through, and we gained the rudiments of an education. And as a part of that education, we learned what many had learned before; to multiply and to divide.

The Heart of Economics

Today, in this land, we are—in a very realistic sense—continuing that early lesson in elementary arithmetic; for it seems to me that the heart of our economic life lies in our learning how better to multiply our economic capabilities, and to divide the values created by our multiplication among those who contribute to it. How well we perform that operation is, I think, a true measure of our total economic progress and of our rising worth as a productive people.

Now I am not going to dwell upon the miracle of economic multiplication that has occurred in this country since our colonial days. To say that Americans have more automobiles, highways, airplanes, railroads, telephones, radios, televisions, washing machines, refrigerators and bathtubs than do the people of any other nation is merely to state a fact that is widely known throughout the world, and that does not necessarily endear us to our neighbors in foreign lands.

In fact I understand that a Russian psychiatrist has explained our national penchant for bathtubs by saying that it reflects our sub-conscious desire to wash away our capitalistic sins; and I am sure that all of us are deeply impressed by his evident concern for our materialistic souls.

But what interests me most as I look at the American economic scene is not merely that this miracle has occurred; but **how** and **why** it has occurred. What factors went into our multiplication to produce this unique result?

Greater Investment Willingness

Well, the "London Economist," some time ago, published a paragraph that may shed some light on the question. It said: "If our children are going to produce twice as much as we do, they are NOT going to do it by working harder than we do, or by being cleverer than we are, but by having twice as many inanimate slaves to assist them. The way to plenty is to build up the national capital of machines, of buildings to house them in, of power to drive them, and of communications between them."

And that, I think, is exactly what has happened in America. The reason that the average American has more of the necessities, conveniences, comforts and luxuries of life than his counterparts elsewhere is because he produces more goods and services than they do.

The reason he produces more is because his productive strength has been multiplied enormously by what the "Economist" calls "inanimate slaves." He has more tools, more kilowatts and more ergs at his command than any other worker in the world. And the reason for this, in turn, is that nowhere else in the world has the formation of capital occurred so freely and so copiously. In other words, Americans have accumulated their savings more extensively and have risked those savings more readily and more productively in machines which multiply than have the people of other nations.

National Stock of Capital

It is estimated that since 1900, the total of investment here in the United States has amounted to the astronomical sum of 1¾ **trillions** of dollars. Allowing fully for depreciation and obsolescence, our national stock of capital has still quadrupled during this period, and — at today's prices — it is valued at close to 1 1/10 trillions, of which about one-third represents investment in basic facilities for the production of goods and services.

A small, but vital, portion of this capital, moreover, has gone into research facilities to create not only new and better products, but also new and better machines, tools and techniques. And this portion has been multiplying too. Last year, American industry alone spent $5½ billion on research—or 20 times as much as in the 1930's.

So we must conclude, I believe, that the incentive to save and to invest has been the key factor in our multiplication; but this still does not explain why Americans—above all other peoples in the world—have been blessed so richly with this all-important incentive. Certainly it is not because we are stronger, smarter, more industrious and more virtuous than our European ancestry. Nor did the Great Creator give us any monopoly in the field of natural resources.

Credits All-Around Freedom

Search as you will, therefore, and I think you will find that there has been one major magnifying factor in this process of multiplication that is outstandingly American. And that factor is Freedom.

In saying that, I am not referring exclusively to our cherished constitutional freedoms; for these exist to a marked degree in a number of countries. I am referring primarily to our freedom in enterprise—our freedom to venture our economic freedom, if you will—freedom of opportunity, freedom of choice, and freedom to enjoy the fruits of our labors as we please—to spend them, **to save** them, to invest them, **to run the** risk of losing them, or **to give** them away.

And so it was through **economic** freedom and primarily **through** that alone that we learned **as we** never knew before, how to **multi**ply, and our learning in this respect has only begun.

Allocating Production's Fruits

Now curiously enough, **the inseparable** component of our system of multiplying is its **ability**—no, even more than that—its remarkable propensity—**to divide** the benefits of its own **multiplying** among those who **contribute** to it. **The division is a natural** part of the multiplying and **without the one, we cannot have the** other. This was a lesson **that industry early learned. As producers** of what people **freely**

Continued on page 74

*An address by Mr. Blough before the Economic Club of New York, New York City, Jan. 15, 1957.

Britain's Stock Exchange Boom

By PAUL EINZIG

Despite rising unemployment and possibility of further curtailed output, the Stock Exchange, including industrial equities, and market for Government loans, are stronger, according to recognized British Economic writer, as a result of Mr. Macmillan's assumption of Premiership and prospect of Bank rate reduction in not too distant future. Dr. Einzig reviews Socialists' attempts to make capital gain out of stock market rise and notes they do not mention sharp drop and losses in 1956.

LONDON, Eng. — Mr. Macmillan's assumption of Premiership was greeted by a minor boom on the London Stock Exchange. Actually the upward movement began immediately after the turn of the year. After a brief interruption as a result of Sir Anthony Eden's resignation, the rise was resumed as soon as it became known that Mr. Macmillan would succeed him. Sterling, too, was very firm, touching its parity of $2.80.

Paul Einzig

While the Stock Exchange was booming, business conditions were changing perceptibly for the worse. There was an increase in unemployment, especially in the automobile industry. For the first time since 1952, the number of registered unemployed exceeded that of registered vacancies. The effects of petrol rationing are beginning to make themselves felt. As a result of the sharp fall in the demand for motor vehicles, the industries directly or indirectly connected with the automobile industry are curtailing their output. Moreover, the possibility of having to cut production as a result of oil shortage is widely envisaged, even though hopes of being able to avoid this are increasing.

In the ordinary way, amidst rising unemployment and in face of the possibility of further industrial difficulties, the industrial section of the Stock Exchange tends to be depressed. Instead, amidst prevailing conditions it is going from strength to strength, and so is the market for Government loans. The only sections which have been dull are the markets for American and Canadian dollar securities and for gold mining shares. As these securities are used extensively as a hedge against a devaluation of sterling, the improvement of sterling's prospects naturally resulted in a fall in demand for them.

Tax and Bank Rate Reduction

The main reason for the firmness of industrial equities in spite of the worsening of the industrial position and prospect is that there is now a fair chance of a reduction of the Bank rate in the not too distant future. The high Bank rate is not needed any longer, for the present, either for the defense of sterling or for resistance to inflation. Sterling is firm, and, in the absence of new political complications in the Middle East or elsewhere, it is now likely to remain firm until the late summer. And the deterioration of the employment situation has mitigated fears of further inflation, at any rate for the time being.

The new Chancellor of the Exchequer, Mr. Thorneycroft, is not likely to maintain the Bank rate at the high figure of $5\frac{1}{2}\%$ a moment longer than is absolutely necessary. He realizes that, from the point of view of the Budget alone, it is essential to reduce it. The cost of the floating debt, and of the re-financing of maturing loans, would affect the Budget materially unless the Bank rate can be reduced in the near future. Before Christmas, speaking as Chancellor of the Exchequer, he foreshadowed the possibility of an increase in taxation in the next Budget, in order to resist inflation. In the changed situation this may no longer be necessary, especially if substantial savings can be effected in the cost of the public debt through a timely reduction of the Bank rate. Indeed Mr. Thorneycroft, may even be able to make some slight reductions in his first Budget in the burden of taxation.

It would be idle to pretend that the British horizon is now clear of clouds. The possibility of new complications in the Middle East cannot be ruled out. And even though the change of government has improved the outlook in the domestic political sphere, it may take some time before the Conservative Government will be able to live down the consequences of the Suez intervention. It depends on the extent of the hardships caused by the shortage of petrol and oil. For the time being the Government is not very popular, and even though the change of Prime Minister may make a difference, it seems probable that the Conservative Party will lose ground at the impending by-elections. What matters, however, is that there is no need for a general election until 1960. By that time Suez will have been forgotten. So there is no need to envisage the possibility of a Socialist Government.

Socialists' Argument

One advantage of the deterioration of employment conditions was that many trade unions no longer insist on grossly excessive wages claims. On several recent occasions, wages disputes were settled by conceding a bare fraction of what was originally demanded. It is true, several important wages disputes are still in progress, and their outcome will affect the trend of consumer demand and that of cost of production to no slight extent.

From this point of view a continued boom on the Stock Exchange would not be helpful. Already the Socialist newspapers are drawing attention to the fortunes that are supposed to have been made through the rise since the beginning of January. The ingenious calculations simply multiply the amount of the total existing stocks with the figure of the increases. They ignore the fact that the sharp falls in 1956 through the increase of the Bank rate and the Suez crisis caused heavy capital losses. Moreover, the large majority of stocks is held by investors for their yield, and a rise in their Stock Exchange quotation does not mean that they spend their capital profits. But these facts are ignored by those who want to use the rise on the Stock Exchange as an argument in favor of excessive wages demands.

Wage Outlook

Excessive wages increases would increase consumer demand just at a time when the industrial output is stagnant or declining. While at present many industrial firms are inclined to cut their prices in face of the slacker demand, the pumping of additional purchasing power into circulation by higher wages would stiffen their attitude. Unfortunately, in spite of the change in the employment situation, some trade unions remain in a very strong position to press excessive wages claims. The engineering and shipbuilding industry, with their order books full for years ahead, could ill afford strikes. And coal miners are well in a position to hold the country for ransom, having regard to the shortage of liquid fuel. The only consideration which may mitigate their demands is the relative steadiness of the cost of living.

NY Sec. Dealers Change Dinner Date

The New York Security Dealers Association announces that the date of their dinner is March 8. It will be held at the Hotel Biltmore.

With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Anna Ruth Seel has become connected with Investors Planning Corporation of New England, Inc., 68 Devonshire Street. Miss Seel was formerly with Palmer, Pollacchi & Co. and prior thereto was office manager for Lovett Company.

Robert Seebeck With Hemphill, Noyes & Co.

Robert F. Seebeck became associated with Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, as of Jan. 16, 1957. A graduate of Yale University, and an M.B.A. from New York University in investments and finance, Mr. Seebeck was formerly associated with Smith, Barney & Co. in their Institutional Sales Department. He is past President of the Investment Association of New York, and a member of the Bond Club of New York.

Robert F. Seebeck

Hemphill, Noyes & Co. acts as investment banker for a broad cross-section of the nation's corporations, participates in the security offerings of others, underwrites and maintains trading markets in municipal and in certain over-the-counter securities offers the shares of selected mutual investment funds, and engages in a general listed and unlisted brokerage business.

The partners of Hemphill, Noyes & Co. serve on the Board of Directors of many large corporations including American Chain and Cable, Carrier Corporation, Paramount Pictures, and North American Cement.

Symonds Joins Staff of Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—B. Shapleigh Symonds has become associated with Harris, Upham & Co., 13 Federal Street, as head of the institutional department specializing in tax exempt and revenue bonds. He was formerly Vice President of Blair & Co. Incorporated, resident in Boston.

Prudence in Financing Is Still the Watchword

By ERLE COCKE*

President, American Bankers Association
Vice Chairman of the Board and Chairman of the Executive Committee, The Fulton National Bank, Atlanta

Necessity of following a "prudent course" in financing is stressed by ABA President in view of record high commercial bank loans, growing increase of consumer credit in loan portfolios, and unabated pressures for credit demand. A better understanding and smoother functioning of our credit system, according to Mr. Cocke, should be undertaken in view of our widespread credit usage and current excess of demand over savings.

When the first Ninth National Credit Conference was held eight years ago, the atmosphere was in many respects different from that of today; and yet many of our current problems and apprehensions are rooted in the same fundamental forces which existed at that time. Ken Cravens, President of the Mercantile Trust Company of St. Louis, was Chairman of the Credit Policy Commission in 1948-49; and his vision was to a significant extent responsible for the inauguration of this annual event. In opening the first Conference, he said:


Erle Cocke

"In reality, we may be at an economic crossroads. A turn one way may mean a continued inflationary spiral; and, then again, a turn another way may mean a recession. If a prudent course is followed it may help to bring about a leveling off of the present plateau and, with minor corrective adjustments, may restore more favorable relations between certain economic imbalances."

In retrospect, we can state that—by and large—ours has been a prudent course over the intervening years. We have had some mild setbacks, particularly in individual industries; and we have had significant interference from an international political environment that on occasion has become very tense. Nevertheless, although the economic progress in recent years has been phenomenal, it would not have been possible without the stabilizing influence of prudent judgment in the conduct of our nation's economic affairs.

In the eight years since the first Conference, the value of our national output has risen by three-fifths. Production is now being turned out at a rate of over $410 billion a year, and it is still increasing. A price advance of about 13% has accounted for a portion of this rise; but the balance represents real growth, as evidenced by the fact that our physical volume of industrial production is now almost one-half greater than it was at the time of the first Conference.

Financing Data Since 1949

The job of financing this kind of growth has been a Herculean task. In the eight years 1949 through 1956, business alone spent over $200 billion on plant and equipment; new construction aggregated $275 billion, of which $100 billion went into new homes; and consumers spent $1¾ trillion, including $235 billion for durable goods, $925 billion for nondurable goods, and $630 billion for services. It is no wonder, then, that the resources of our financial system have been so much in demand to finance business, homeownership, and consumption, and why this kind of conference holds so much importance for bankers.

We have learned many lessons in financing over the past few years, but we have not arrived at the point where we can afford to stop learning. Credit policy has as significant a meaning today as it has ever had before. Prudence is still the watchword! Ken Cravens' warning about following a prudent course rings true today even louder than when he said it eight years ago. This enlarged economy of ours imposes a very significant responsibility upon those who are concerned with credit policy. We could not have made the progress we did if—as a nation—we had not acted with a reasonable measure of prudence, and we shall not make further lasting progress if we do not steer a steady course in tomorrow's unchartered waters.

I say this for two reasons.

Two Reasons for Prudence

First, the loans of commercial banks are already at a record high level. They have more than doubled since the beginning of 1949. At that time they were $42 billion, and now they are over $92 billion. Total loans increased by $12 billion alone in 1955, and by $9 billion in 1956.

Moreover, the kinds of loans in our portfolios have changed with economic growth. I need only mention instalment loans, which were hardly known in bank portfolios a generation ago. Total consumer credit is now in excess of $41 billion, compared with only $14 billion at the start of 1949. The major part of this rise has been in instalment credit, which has increased from $9 billion to over $31 billion for the country as a whole, and from $3½ billion to $12 billion in commercial banks.

I know of no more direct measure of our increased responsibility to our depositors, our borrowing communities, and our stockholders than these changes in our loan portfolios. A prudent policy demands that the risks inherent in these loans be sound ones. As lending officers, therefore, it behooves each of us to ask ourselves whether we are genuinely satisfied with our credit standards and procedures.

Second, there is a widespread feeling that the pressures for credit demand are not likely to abate for a long time to come. There may be interruptions now and again, just as there were in the past eight years, but the picture of economic growth that is being painted by the forecasters portends a great need for capital and credit as we look toward the future.

I do not intend to discuss the general credit situation or the conditions of lending in various sectors of the economy as we enter 1957. . . .

On the other hand, I believe it is appropriate to present here a few comments on the broad environment of bank lending. This may be helpful for the purpose of putting current policies in perspective.

We have heard a great deal over recent months about credit restraint; and if the forecasters are right, we can expect to hear a good deal more about it over the weeks, months, and maybe years ahead. At times the demand for credit will be so large that the moderating influence of restraint will be needed to help keep the delicate economic scales in balance. Today the man on the street hears the word "restraint." He is, however, not always sure of what it means. For a long time he was accustomed to "easy credit," and now he is confronted with a new situation that is more difficult to understand.

Credit Education Needed

In my opinion, one of the prime responsibilities of the banking fraternity today is to develop a better understanding of how bank credit functions. The propaganda of inflationists is a danger that must be constantly combatted. It can be defeated only if those of us who are sincerely interested in stability and wholesome, real growth in our economy are willing to make it our duty to help develop such understanding.

There is some merit in educational programs which are intended to teach people about credit. The meaning of "restraint," "easy credit," or "Federal Reserve policy" can be explained to audiences through various media. Yet I believe that the real opportunity for doing the job comes through the functioning of men like you in this Conference. As lending officers, you are on the firing line. It is your function to grant or deny loans. You help to formulate the policies of your institutions, and you carry them forward. It is your responsibility to face the applicant for credit and to explain what your institution is doing. You are the ones who put the breath of life into credit policy.

Few in this audience will deny, as I stated earlier, that credit policy has greater meaning today than ever before. We have come a long way toward recognizing the importance of flexible monetary actions in preserving economic stability. It has been a long and at times discouraging process, but it seems to be taking hold. Now that we have arrived at a point where credit policy touches the lives of more people more positively and more directly, we should not lose the opportunity to correct false impressions about credit restraint and thus to strengthen our relations with the borrowing community. This kind of effort, expended in the course of our everyday lending operations, will serve us in good stead as we contemplate the credit needs for our future economic growth. It is a vital job of public relations, and one we cannot afford to bungle.

Conclusion

In conclusion, may I state, however, that this is just one facet of the credit picture. I have purposely confined my remarks to the sector which has a direct bearing upon your function as lending officers. Yet, as we look at the credit picture in broad perspective, we should realize that much more needs to be done to create a better understanding and smoother functioning of our whole financial structure. Over the past two decades—and particularly in the postwar period — sweeping changes in the relations between various kinds of financial institutions have taken place. It is becoming more apparent almost daily that these changes bear careful study. A decade ago, savings were in great abundance and interest rates were close to an all-time low. Today the situation is reversed. Savings are being outstripped by demand for capital, and interest rates are higher than they have been for some years. A race has developed among financial institutions to obtain those savings and to channel them through their credit facilities. This has conditioned public attitudes toward various institutions and has affected their functions, responsibilities, and policies. There needs to be a clearer understanding of these facts, and the banking industry should be in the forefront in the creation of that understanding.

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

Form J. T. Pollard Co.

John T. Pollard & Co., Inc., has been formed with offices at 135 Broadway, New York City, to engage in a securities business.

CCNY Course in Investment Problems

Sidney B. Lurie, a partner in the firm of Josephthal & Co., and former President of the New York Society of Security Analysts, will conduct an evening course in "Contemporary Investment Problems" at City College's Baruch School this spring.


Sidney B. Lurie

The course will examine current developments in investment portfolio management and security analysis, changing techniques of formula investment plans, and variations in stock and bond investment policy in the light of new tax policies and current SEC rulings and decisions.

Registration is open to the general public. Total fee for the course is $25. Classes will meet Monday evenings from 6:20 to 8.00 p.m. beginning Feb. 4.

Registration will be held at the Baruch School on Thursday, Jan. 31 and Friday, Feb. 1, from 5:30 to 8:30 p.m. Advance registration by mail will be accepted through Jan. 25. Complete enrollment information may be obtained by contacting the Evening Session Office, City College Baruch School of Business, 17 Lexington Avenue, New York 10; ORegon 3-7700.

Model, Roland & Stone Will Admit Three

Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 31 will admit Walter H. Berton to partnership, and on Feb. 1, Walter S. Morris and Erwin Wolff. All have been with the firm for sometime. Mr. Berton will become a member of the New York Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

Secretary of the Treasury Humphrey seems to have gotten himself into plenty of controversy with his recent statements that the pending budget is too high, that he would like to see Congress reduce it, and that he would not be in favor of Government spending to get the country out of a depression. He even went so far as to say he would resign before he would go in for such a method. Throughout the country our astute editors and commentators have been lifting their eyebrows and asking whether his sentiments forecast a split with the President and his other advisers.

Carlisle Bargeron

As a close observer of the Secretary and an admirer, I wonder just what was working on his mind. That the pending budget is too high goes without saying. It can't be excused by explanations that we are a growing country. Not only that, but the current budget is too high.

A Republican candidate for reelection in last November's campaign was quite surprised one day when his opponent challenged his statements that we were enjoying the greatest prosperity ever known to mankind and, furthermore, we were enjoying it in peacetime. This was quite a theme of the Republicans.

The opponent pointed out that while it was true American boys were not fighting anywhere, it was hardly a peacetime economy we were enjoying inasmuch as we were spending more on the military than at the height of the Korean War. The Republican candidate couldn't believe it but he looked up the figures and found his opponent was right.

What surprises me most about the Secretary's expressed sentiments, however, is that he wouldn't be a party to Government spending to head off a depression. Early in his term of office he startled a group of his industrial associates by telling them that he was unquestionably a conservative and orthodox money man but make no mistake about it, if a depression appeared, he would favor Government spending to arrest it. The day was past, he told this group, when millions could be permitted to go unemployed.

Not only this, but he supported increased Government spending in 1954 when signs of a downturn in the economy appeared. The Eisenhower Administration found at that time that it had been moving too fast to balance the budget. It had to turn around and liberalize Government spending. At least it did so.

The criticism of Humphrey's latest sentiments, however, needs some explanation of the contention that Government spending to take up the lag in unemployment is now the law of the land, that it was adopted in 1946 with the support of the late Bob Taft.

The story is that what we now have on the statute books provides for a Council of Economic Advisers to the President and a report annually by the President on the economic state of the Union and it is a much watered-down version of what the so-called liberals were trying to put over. Headed by the multi-millionaire bleeding heart of Montana, Senator Jim Murray, a committee held hearings over a period of several months. Prevailing witnesses were such as Walter Reuther. They had a plan by which the Government annually would estimate the size of the national production for the forthcoming year. Then it would divide this into jobs and if the estimated national production didn't provide for enough jobs, Government spending would make up the rest.

The Conservatives headed by Walter George and Taft moved to head this off. They succeeded in whittling it down to scarcely more than a mere provision for an economic staff for the President. The fact that the members of this staff have worked themselves into places of prominence, as national spokesmen whose word is to be harkened to, was not anticipated by the Conservatives. Anyway, it is not any law of the land that the Government must go in for spending to provide an adequate number of jobs.

However, it is a pretty safe bet in these days and times that no Government would long stay in power if it didn't take heroic action in the event of a depression.

My impression is that Mr. Humphrey was simply irked by the absurd size of the pending budget and blew his top.

[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.]

Wm. D. Swan V.-P. of Exec. Security Group

William D. Swan, Jr., former assistant dean at the Harvard Business School, has been named a Vice-President of Executive Security Programs, Inc., of New York, 515 Madison Avenue, New York, N. Y.

William D. Swan, Jr.

Since 1954, Mr. Swan has been executive director of Young Presidents' Organization. During his term with the organization, he doubled membership in the oragnization, devoted to presidents of corporations who achieved that rank before they had become 40 years of age.

Executive Security Programs, Inc. has been set up to consult with management on a broad range of financial problems, including executive compensation, capital formation, foundations and pension and profit sharing plans. In addition to Mr. Swan, it brings together a group of internationally known authorities on financial control and management.

Schwabacher & Co. Admits Partners

SAN FRANCISCO, California—Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, have admitted John Davison and Stanley E. Symons.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles F. Knoch is now affiliated with Goodbody & Co., 1 North La Salle Street.

New Paths for New Pioneers In Achieving Greater Growth

By HENRY B. du PONT*

Vice-President, E. I. du Pont de Nemours & Company

In holding out a picture of unlimited prospects for industrial development, and cautioning those believing progress is automatic, du Pont executive assails proposals to tax corporations at progressively higher rates. Industrialist reports economists predict 40% more new business firms by 1971, including 1,500,000 more small business units, which will employ 20 million more people than are now engaged. Describes opportunities as greater today than yesterday, emphasizes need for new rather than replacement industries, believes it is now easier to start a new business than before the era of big business, and explains what attracts industrial location.

The most direct and most obvious method we can employ in the development of the nation is the continuing development of new business enterprise, for it is the most essential element of our national prosperity. I am sure one must recognize that our strength as a nation is in direct proportion to the state of our industrial and economic strength. It is a simple matter of cause and effect. All of us are sympathetic, of course, to the natural desire of each of our states and cities to grow and prosper. In a broader sense, however, the big problem is not one of shifting from one location to another or of building up one section at the expense of another. The problem is to bring into being a continuing flow of entirely new business — new business which will represent a net gain to the economy. A new manufacturing plant which simply replaces one in another section or substitutes one product for another has little to contribute, and in time it too could be displaced by yet another. The important thing is to build enterprise which augments the existing situation through the creation of opportunities which did not previously exist.

Henry B. du Pont

New, Not Replacement, Industries Wanted

In recent years, the United States has been particularly successful in increasing the number of important industries which have progressed, not through replacement, but through supplementing the old with the new. We have, for example, the aircraft industry, electronics, commercial aviation, natural gas, plastics and other chemical developments, air conditioning, frozen foods, and others.

This is what we might call industrial pioneering—the opening up of new fields for development. A continuation and further expansion of this industrial pioneering is essential if our rapidly growing nation is to maintain and further improve its standard of living. In my opinion, there are far more opportunities for new pioneering developments leading to industrial expansion than ever before, for the results of the long-range research programs being undertaken by industry are bound to bear fruit over the next 25 years, just as they have in the past.

But research and development in this highly technical age frequently take a great many years of hard and painstaking work. Just as an example, when I went to work at the General Motors Engineering Laboratories back in the mid-twenties, one of my assignments was in the field of fuel injection. This year, for the first time. I note that some of the 1957 automobiles will feature fuel injection. It is very often a long haul between a bright idea and the realities of technical development, commercial production and market acceptance.

It stands to reason, however, that the effort and the investment which industry has been pouring into its research programs should bring about an increasing pace of industrial growth. Twenty-five years ago, the industrial community was spending less than half a billion dollars a year for research and development; today, it is spending nearly six billion

*An address by Mr. du Pont before the Rotary Club, Louisville, Kentucky, Jan. 17, 1957.

Continued on page 72

Foreign Economic Growth And Impact on World Trade

By W. R. HEROD*

President, International General Electric Company

Assuming no world conflagration, International General Electric head avers: (1) world economic development will proceed with increased population, energy use, and better investment understanding; (2) inexorable pressures will bring on more international intercourse, which has been progressively increasing since World War II; (3) world manufacturing output and dispersal to increase, with trade increasing at a slower rate; (4) our exports should rest on technical leadership and innovation for trade in other than mass production items; and (5) to reach 40% expected growth in next decade, we will become more dependent on foreign raw material and other resources. In reviewing over-all international trade prospect, Mr. Herod dwells on improving investment climate abroad; expects pharmaceutical to do well; and sees our combination of increased imports and foreign investments permitting higher level of trade and healthier balance of payments.

How about the foreign business outlook now? As recently as six weeks ago, one reasonably expected a continuation of foreign business with cyclical variations but generally expanding, with new products and developments as time went on, together with expanding operations overseas. One reasonably assumed a continuation of international tension; but by and large one expected peace. Also one assumed an expanding world economy, in which the United States own economic expansion would play a considerable part. And whereas one felt that there would probably be no fundamental resolution of East-West tensions in the near future, it appeared that both sides were slowly and perhaps painfully, learning how better to live with the problems and each other, even though solutions might not be readily forthcoming. On these premises there was reasonable optimism; and one looked down the long road into the future without too acute misgivings.

W. R. Herod

But beginning a while back with the disturbances in Eastern Europe and the happenings in the Near East, we were all made sharply aware how fragile was the web of peace; how acute passions and feelings could be; and how dangerous to prosperity, and even to the peace of the world, a spark in the form of any further unwise or inadvertent action could be. We have also now seen how the closing of the Suez Canal—that great artery through which perhaps one-eighth of the world's trade normally passes—combined with damage and shutting down of certain oil pipe lines, could have immense effect upon the economies and politics of Western Europe, with serious repercussions elsewhere.

We have lately witnessed all sorts of manifestations of opportunism, pique, hatred, lust-for-power and punitive force. These have destroyed lives, damaged property, and weakened confidence in peace, in nations' integrity, in currencies, in international investment, and even trade, resulting in strange political bedfellows, with diversion of material and financial resources from the improvement of man's lot and the increase in his living level and prosperity, into emergency political and military activity. These have already caused shortages and deterrents to the needed functioning of industry in Britain and other areas, with unemployment and other difficulties, pressure on currency exchanges, and the reinstitution of rationing.

Such unforeseen changes in so short a period prove the vulnerability of predictions. Nevertheless, the peoples of the world still cry out for progress and improvement. And though opportunism, passions and hates may interfere, I personally am confident that we can, and if we exert wise leadership will, go forward to a long-term future with somewhat more rather than less liberty and dignity for the individual, and more rather than less respect for property, more rather than less economic opportunity; though our travail and the price we must pay for our follies and tensions may be excessive. So let us assume for purposes of this discussion, that even though we may not have freedom from tensions, or even freedom from hostilities in all areas of the world, we nevertheless will not have in the near future, nuclear or other war of world dimensions. Let us recognize that nationalism, particularly in the less politically mature and less well developed countries may continue to be intense, and that sovereignty may not be sufficiently self-disciplined but what we may have difficulties from time to time.

Can't Suppress World Trade

Surely with technical progress in communication and transportation, the world will grow smaller, and the insulation of distance and tradition will weaken, and sooner or later international intercourse again be promoted. And human nature being what it is, I think we can assume, if we work for it, that statesmen, politicians, and yes demagogs also, will more and more realize and appreciate the force of public opinion. Naturally they will endeavor to sway, cultivate and direct it, but in the last analysis they will ultimately be guided by it. And with increased intercommunication, people will become more aware of other people's situations. Such may be expected to generate aspirations in every country to improve their lot, with a progressive decrease in the willingness to accept disadvantageous conditions or situations, even though such were traditional or the lot of their fathers.

I think that these assumptions are reasonable, even "post Suez." They have been basic in the past, although overclouded sometimes by recurring crises, "alarums and excursions." Basically their roots go deep into the structure of human society, although certain governments have been able to suppress or subordinate them for varying periods, and for both good and bad reasons.

In a world where such factors can operate, there is constructive opportunity, and I believe we can, cautiously perhaps, assume such a world. Shakespeare has stated: "What's past is prologue." And our interest is the future; there lies opportunity. And for future economic development, what factors are basic in our "ambiente" as described?

With what I hope is realism, one of the most important factors is obviously "attitude of mind." This must be constructive and forward - looking, dedicated to progress, with full recognition of both the realities and the opportunities of interdependence on an international scale, self-discipline, the dignity of the individual and the worth of his potential contribution, and the advantages of dynamism, growth and innovation. Without such an attitude we can have neither legitimate ambition nor the inspiration to go forward. The individual or company sponsoring export marketing or foreign operations must definitely have it. Also the climate abroad for acceptance of such an attitude, with promotion of a similar attitude on the part of its nationals in the foreign market or host country, is essential for success. With these attitudes, and in proper balance, there is no ceiling on the future; and opportunity is then maximized for man's realization of material and intellectual satisfactions from life, with greater opportunities likewise for spiritual satisfactions. Surely such is worthwhile. The pharmaceutical industry has such an attitude. Certain other American industries likewise have it.

Climate Abroad

The problem is to gain acceptance for it abroad with the promotion of corresponding attitudes locally on the part of nationals of foreign countries. In the more highly industrialized Western European countries this is not a serious problem. But in the less industrialized and less politically mature ones, it frequently is. I think it is generally becoming realized, particularly on the part of industries which operate abroad as well as here, that individual enterprises must be operated "responsibly," that is let us say—in the balanced best interest of owners, investors, customers, suppliers, employees and workers, and the host country. Naturally the enterprise should make a profit; but it must also be a good corporate citizen. Otherwise acceptance will be neither sincere nor long-standing.

And if American industry is to make its contribution with exports, foreign operations and techniques, it must so operate, along with making a profit, to be convincingly advantageous to the foreign customers, employees and host country, as well as to owners, investors and originators of techniques. Here is a public relations job of the first magnitude, in the promotion of a "climate" abroad with respect to which American industry can prosper, and by example of the individual enterprise to both deserve and obtain a favorable regard in the host country.

As we look forward to future trade and foreign operations, one must consider the dynamism of the foreign economies, along with the international framework and foreign attitudes, certain phases of which have been briefly discussed. And here a fundamental factor of dynamism is that associated with population. Population growth itself foretells more consumption. And where the growth in economic output of a nation or society exceeds its population growth by a substantial margin, additional population is an asset. For then, in addition to promoting consumption, increased population generally adds to the economic potential. Such is the case for example here in the United States. But particularly where living levels are low, if population increases as or more rapidly than economic output, thereby limiting or even depressing the living level, the rate of population growth may be a liability. And such is the case in certain limited areas abroad today.

In this connection, the influence of the pharmaceutical industry, together with the chemical, has had far-reaching results. For with modern antibiotics, DDTs, pharmaceuticals and drugs, all made widely known and distributed with the aid of modern means of communication and transport, public health over wide areas has been increased, with consequent reduction of death rates and the toll of disease, laudable from any humanitarian standpoint. And this development has been effected without as yet corresponding reduction in birth rates. Hence population increase has been the order of the day.

Historically in the West, with the industrial revolution and the introduction of steam power and transport, more resources of both the old world and the newly opened new world, were brought to the benefit of mankind, and the Western European and North American economies progressed rapidly, with greater ability to sustain larger populations. Medicine and science also progressed. As a result of both of these factors, Western death rates dropped and population rose rapidly in the 19th century, until after a few generations birth rates correspondingly dropped, coming more nearly into balance. But today in certain territories of the East, developments of Western science in the way of antibiotics, DDTs, etc. have brought rising health standards, a decreasing toll of disease, and reduction of death rates, where in some cases the economies have not as yet been able to expand rapidly enough to digest them.

In such cases social pressures may be expected to develop, with political repercussions of considerable consequence, and "climate" and attitude may not be too favorable for private investment or for trade, both of which, in addition to the benefits derived, have risks attached to them. Nevertheless, today the world population exceeds 2½ billion souls. A generation from now it will probably be of the order of 3¾ billion, or say a roughly 50% increase. If we can have peace and more devotion of resources to the betterment of mankind than to dispute, not only should the new 1½ billion people but likewise the basic 2½ billion become better customers. Such augurs a prodigious potential in widened markets and an increase in consumption. Increased demand of this order may be expected to promote a much more rapid de-

Continued on page 66

*An address by Mr. Herod before the American Pharmaceutical Manufacturers Association, New York City.

LETTER TO THE EDITOR:

Warns Against U. S. Attempt to "Play Policeman" in Middle East

In concurring and commenting on Carlisle Bargeron's Jan. 3 column dealing with the Middle East problem, oil and "so-called power void," writer refers to Arabs' dependence on European goods and, in turn, European dependence on oil as a relationship that cannot be matched by the U.S.S.R. Denies there is a vacuum we must fill, or that we should supply military aid; and suggests we give every aid to Turkey, instead of playing policeman in the Middle East, and that we should intervene only if Russia seizes or stops the flow of oil to Europe

Editor, Commercial and Financial Chronicle:

On Jan. 3 your able correspondent Carlisle Bargeron from Washington wrote an article touching on Middle East policy and in describing a situation he wrote, in part:

". . . in the Middle East a void has been created, Congress will be told officially, and if this country doesn't move into this void at a tremendous cost, and the possible use of men, Russia will occupy this void." This picture of the situation is often mentioned and gives the key to comments I would like to make on the same subject; though in no way contradicting Mr. Bargeron, who's article covers different material.

Another notion constantly aired in the daily press is that the U. S. must firmly take the lead and make world policy. This last view is held mainly by those who advocate that we should, in effect, try to boss everybody — a most unpleasant, impractical and in the end fatal endeavor.

Filling a Weak Void

Now the idea that "nature abhor a vacuum" has been constantly used throughout history to justify conquest or control of weak nations by the strong. The statement usually is made that these weak nations constitute a temptation to some villainous strong nation and therefore the weak area must be invaded or controlled (for its own good) by the self-styled good (and strong) nation. This thesis, so beloved by all strong rulers and dictators, has literally bathed the world in blood with constant wars over thousands of years. Yet to this day it continues to persuade because it is highly plausible and may on occasion have had merit.

To come to the present Mid-East problem, oil and the so-called power void: Surely France's attempt to fill this void in Algeria, and nearby areas, is proving to be a long attrition in lives and money. Without U. S. help France might now be bankrupt. England's effort to fill this void in Palestine was tragic and bloody. In other nearby areas England has been expelled. Spain's efforts in Morocco and against the Riffs are history.

These three nations are the most experienced colonial powers. They live nearby and have strong interests in the area, yet surely it is clear that their attempts to dominate, control or conquer the Arab nations have all failed as of today (and after how much bloodshed?). Presuming Russia does try to move in, is she going to be any more successful? If it comes to military conquest Russia will find Arabia much more difficult to handle than Hungary—and Russia well knows it!

Arabia Needs Europe

Oil is what Europe needs from the Arabian countries and the Arabs need European manufactures — a perfect set-up. Russia could not hope to offer more in any respect. Actually she can only offer some arms and communist style slavery, mixed with some ogre value to frighten the west. The poorest Moslem Arab does not incline towards the teachings and beliefs of Moscow. With this perfect trading set-up one would think it should not be hard to bring peace and prosperity to large areas of the Arab world, if only some old hatreds could be cooled down. The problem is emotional and England and France cannot avoid a large share of the blame. For the U. S. to send troops or fighter planes into this area, or even to talk about it (for protection) is hardly the way to cool down Arab hatred and suspicion of the west.

Europe, having rather belatedly awakened to its utter dependence on Mid-East oil, is understandably nervous, even panicky, about the prospect of depending for its vital oil supplies on the goodwill of the Arab nations. The English and French failure in their attempt to seize Suez by force has heightened panic and hatred. This nervousness is also, in my opinion, the main reason that European nations will attempt to "sell" the U. S. on a Mid-East-foreign policy very similar to their own that failed. At any rate the present talk that "America must fill the power void" sounds exactly like English policy ideas of the 18th century. Let us, for heaven's sake, avoid following such a policy!

Can Govern Themselves

Is there truthfully any vacuum here that must be filled? The Arab States are weak in a military and industrial sense, however they are capable of governing themselves and certainly would resist dictation from any outside nation. Also they are less liable to fall to the persuasions of any communist subversive group than many European nations. They would need a strong ally in the hypothetical event of an attempted conquest by Russia — but who wouldn't? Would it not be best for Europe to try and maintain the friendliest relations with the Arab oil countries rather than persist in threats and what the Arabs regard as bullying. If anyone thinks this suggestion naive, let them come up with something more practical.

Absolute peace in this area may be a long way off (maybe never) but let us leave the Arabs as much alone, in any military sense, as possible; meanwhile giving every aid and assistance to Turkey. Surely the Turks deserve and need assistance from the "World Bank" as much as England or France. Turkey is a vital ally if there is any substance to the fears recently voiced in England that Russia might seize the Arabian oil fields, etc.

The U. S. cannot "play policeman" successfully in the Middle East — many better fitted have tried; no one has ever succeeded for long. In attempting it we could become involved in an attrition of lives and money that would be endless and disastrous. We can however remain alert and ready to move, from the outside, against any Russian seizure or stoppage in the flow of oil to Europe. Probably we should announce this readiness to the world at large, but further than that we should not go under present circumstances.

England and France both have to learn that they are living in the 20th century and therefore must treat with the Arab nations on a basis of equal sovereignty; not on the basis of master and vassal.

Sincerely,
STANISLAUS WHITE
50 East 58th Street
New York 22, N. Y.
Jan. 21, 1957

Non-Taxable Turnpike Bonds

By ROGER W. BABSON

Mr. Babson notes that bonds are cheaper than they have been for over 20 years, and opines almost any are an excellent investment. Describes non-taxable benefits, and sees no threat of proposed new Government highways to existing buys in seasoned non-taxable turnpike bonds.

History of Bonds

There is a big difference between stocks and bonds. **Stocks** own the equity in a corporation. Profits go to the stockholders after payment of interest on the bonds and other indebtedness. This may be much or none, and it fluctuates up and down. Some people make lots of money by buying stocks at the right time; while other people lose everything by buying them at the wrong time.

Roger W. Babson

Bonds — on the contrary — are the same as a mortgage on your house. The interest on bonds is a prior claim. Usually their price does not fluctuate as widely as the price of common stocks and the interest is most always paid. Hence, they are much safer to buy than are stocks. In addition to U. S. Government Bonds, there are three other important types of bonds: (1) **"Full Faith" State** and **Municipal Bonds,** which are the safest investment you can buy and whose interest is non-taxable. (2) **Corporation Bonds,** which—of the same company—are safer than the stock of that company, but their interest is taxable. (3) **Revenue Bonds** which are issued by your state, city, or town, but your interest payment depends upon the earnings of a state turnpike, or upon your local gas, water, or sewerage system. This interest, however, is not taxable.

Today's Prices for Bonds

All bonds are cheaper than they have been for over 20 years. Buy almost any today and you should have an excellent investment. But by proper selection, with the help of expert advice, you should be sure to **make** money particularly by purchasing selected non-taxable bonds. Buying good non-taxable bonds is just like discovering gold in your own back yard. No reader of this column remembers my ever saying this since the panic of 1929-1932. All of the following non-taxable Revenue Bonds were selling at par ($1,000) a few months ago.

Security—	Rate %	Maturity	Recent Price
Florida Turnpike	3¼	4-1-95	$88.50
Illinois Toll	3¾	1-1-95	87.00
Indiana Toll	3½	1-1-94	87.50
Greater New Orleans Expwy.	4	11-1-94	92.00
Maine Turnpike	4	1-1-89	95.50
Mackinac Bridge	4	1-1-94	94.50
Ohio Turnpike	3¼	6-1-92	88.50
Chesapeake Bay Ferry District	4¼	4-1-86	95.00
Mass. Turnpike	3.30	5-1-94	87.00

Non-Taxable Benefits

But here is something else to remember. The income you get from ANY stock, corporation bond, or even U. S. Government Bond, is taxable. Practically everyone must pay a Federal Tax of at least 20%-25% of all dividends and interest received **except from State, City** and **Town Bonds,** and special non-taxable authority issues which include these Turnpike Revenue Bonds.

Here is what this means to you. Whatever your income, you can save 20%-25%. If however, you are in a higher income tax bracket (say 50%), 4% on any of the above bonds could net you the same as 8% on taxable stocks. If your income is $50,000, then the interest on these 4% tax-free bonds equals 16% in taxable income; while those having incomes of $80,000 get an equivalent yield of 25% on their money after all taxes. Seems too good to be true; but it is true!

The Fly in the Ointment

Why doesn't everyone with large incomes buy these bonds now? It may be that they are waiting for lower prices due to the fear that many more new Turnpike Bonds are coming on the market. Or it may be due to fear of the competition which these present turnpikes may have from the new U. S. Government highways. Surely I do not fear such competition.

If you believe that automobile riding is going to be less and that the automobile business is "going to pot," then don't buy these tax-free Turnpike Bonds. If you believe World War III is soon coming, when gas again will be rationed, you are justified in being cautious. But I believe such fears are now foolish. Hence, I say: "Buy seasoned Non-Taxable Turnpikes—and buy them today."

Sheets Elected NASD District Chairman

Ralph C. Sheets

Ralph C. Sheets, Blyth & Co., was elected Chairman for 1957 of District Committee No. 13 (New York, New Jersey, Connecticut) of the National Association of Securities Dealers succeeding Allen J. Nix, Riter & Co.

W. Scott Cluett, Harriman Ripley Co., Inc., was elected Vice-Chairman, succeeding Mr. Sheets.

L. G. Erskine Named Harris, Upham's Industrial Consultant

Harris, Upham & Co., 120 Broadway, New York City, nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, announce that Louis Gillespie Erskine, former Chairman and President of the United States Radiator Corporation, Detroit, has been appointed industrial consultant for Harris, Upham & Co.

An industrial consultant and author of "Erskine Efficiency Ratings," Mr. Erskine is a graduate of Princeton University and has previously been associated with the Rogers-Pyatt Shellac Company as Treasurer and a director, and as President and Chairman of the Board of the United States Radiator Corporation in Detroit.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Another development in international financial cooperation was made known on Jan. 21 with the announcement of the formation of **The Bahamas International Trust Company, Limited, in Nassau, The Bahamas.** A news release issued with regard thereto says:

"Bahamas International has wide international connections through Barclay's Bank; Hambro's Bank, Ltd.; Robert Fleming and Company, Ltd.; The Royal Trust Company of Canada, London; The Anglo-American Corporation of South Africa, Limited; The Empire Trust Company of New York; The Royal Trust Company, Montreal; and E. D. Sassoon Banking Company Ltd., Nassau. **The Empire Trust Company, New York,** will act as correspondent in the United States.

"The new company has an authorized capital of $2,800,000 (£1,000,000) of which $900,000 (£200,000) has been issued. The stock was sold at £15 for each £10 par value share. The company is to conduct financial, trusteeship and general investment business and will act as financial advisers, investment managers, company managers, executors and trustees and agents, and will also accept deposits. Hugh Wright has been appointed manager and will reside in Nassau."

* * *

Sanford Kleiner has been appointed Assistant Personnel Director of **Chemical Corn Exchange Bank, of New York,** it was announced on Jan. 18 by Harold H. Helm, Chairman. Mr. Kleiner, who is a graduate of City College of New York and has a master's degree from New York University, joined the bank in 1946. He is located at the bank's main office at 165 Broadway.

* * *

Stockholders of **Guaranty Trust Company of New York** at their annual meeting on Jan. 16 authorized an increase in the company's capital stock from $100,000,000, consisting of 5,000,000 shares of the par value of $20 each, to $120,000,000, to consist of 6,000,000 shares of the same par value. The bank's board of directors, at its annual meeting following the stockholders' meeting, declared a 20% stock dividend on the capital stock of the company, payable in shares of such stock, at the rate of one share for each five shares of stock outstanding. The stock dividend will be payable on Feb. 21, to stockholders of record at the close of business on Jan. 23. In giving effect to the increase and paying the stock dividend, $20,000,000 will be transferred from paid-in surplus to capital, and in turn $20,000,000 will be transferred from the undivided profits account to surplus. The total of capital funds, which stood at $407,269,602 at the year end, will thus remain unchanged, although undivided profits and capital will reflect the transfer of the $20,000,000. Undivided profits at the year end were $107,269,602. Plans to increase the capital were noted in our Dec. 13 issue, page 2514.

Guaranty stockholders at the annual meeting re-elected as directors for three-year terms, George G. Allen, Chairman of the Board of Duke Power Co.; John T. Dorrance, Jr., Assistant to the President of Campbell Soup Co.; Charles E. Dunlap, President of Berwind-White Coal Co.; Walter S. Franklin, director of The Pennsylvania RR. Co.; W. Alton Jones, Chairman of the Board of Cities Service Co.; Cornelius F. Kelley, director of The Anaconda Co.; and William L. Kleitz, President of Guaranty Trust Company of New York.

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The election of Edward Gettinger as a member of the Board of Directors of **Trade Bank and Trust Company, of New York City** was announced by Henry L. Schenk, its President, on Jan. 17. Mr. Gettinger, having been Associate Counsel from the bank's beginning in 1922, has been serving as General Counsel for the past 20 years. He is a senior member of the firm of Gettinger & Gettinger, which was founded by himself and his two late brothers Paul P. Gettinger and Milton M. Gettinger, about 40 years ago.

* * *

Samuel H. Golding, Chairman of the Board, announces the election of Milton A. Kimmelman as a director of **Sterling National Bank & Trust Company of New York.** Mr. Kimmelman is a partner in the investment firm of Charles & Milton A. Kimmelman, identified with the ownership and operation of hotels throughout the country. Formerly President of Huron Holding Corp., he was recently elected Vice-President and director of the Park Sheraton Corp. and is a director of the Knott Hotels Corporation, etc.

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Louis H. Taxin has been elected a member of the board of directors of the **Royal State Bank of New York** at the annual stockholders' meeting, it was announced on Jan. 22 by Henry G. Barber, President. Mr. Taxin is President of Daitch Crystal Dairies, Inc., a supermarket chain operating 73 stores in the metropolitan New York area.

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At the annual meeting of the board of trustees of **Emigrant Industrial Savings Bank of New York** on Jan. 16, John T. Madden, Chairman of the Board and President of the bank since January 1945, was re-elected Board Chairman and Chief Executive Officer and Joseph C. Brennan, former Vice-President and Assistant to the President, was elected President. Before he became associated with The Emigrant Industrial Savings Bank in 1945, Mr. Madden was for many years a Senior Vice-President of the **Manufacturers Trust Co.,** of which he is still a director. He is also a director of W. R. Grace & Co. and other companies. Mr. Madden during World War II was Chairman of the Greater New York War Bond campaigns and a member of the New York State War Finance Executive Committee. Since Mr. Madden's assumption of the leadership of the Emigrant Industrial Savings Bank in 1945, its deposits have increased from $425,568,725 to $858,180,101. Total assets of the bank today are nearly $1 billion, ranking it as one of the nation's largest savings banks.

Mr. Brennan has been in the banking business throughout his business career. He was elected to the Emigrant Industrial Savings Bank board of trustees last year. Before he became associated with the bank four years ago, Mr. Brennan was a Vice-President of the Bankers Trust Co. He is a Governor of the New York chapter of the American Institute of Banking.

* * *

At its annual reorganization meeting, the Board of Directors of **The Meadow Brook National Bank of West Hempstead, N. Y.** on Jan. 14 elevated the institution's two top executive officers from President and Executive Vice-President to Chairman of the Board and President, respectively. Augustus B. Weller, President of The Meadow Brook National Bank since its organization in 1949 and President of one of its predecessors, **The First National Bank of Merrick, N. Y.,** since 1934, has been named Chairman of the Board and will continue to serve as Chief Executive Officer of the bank. He is the first to hold such a position at Meadow Brook. Walter E. Van der Waag, the bank's Executive Vice-President since 1950, has been named to succeed Mr. Weller as President. Mr. Van der Waag served for seven years in the Bank Relations Department of the **Federal Reserve Bank of New York.** Prior to that he was in the credit and branch administration department of the former **Chase National Bank of New York.**

* * *

The Fort Neck National Bank of Seaford, Long Island, N. Y. reported a capital effective Jan. 11 of $1,420,145, increased from $1,392,300 by a stock dividend of $27,845.

* * *

Harold J. Marshall, President of the **National Bank of Westchester, of White Plains, N. Y.** has announced the appointment of new managers for the bank's Gedney drive-in office at 501 Mamaroneck Avenue, White Plains, and its Eastchester office, in Tuckahoe. Francis Link replaces Paul R. Bellows, in charge of the Gedney office. Formerly manager of the bank's Eastchester office, Mr. Link is succeeded by Philip K. Hoey, Jr. Mr. Link, an Assistant Vice-President of the bank, has been connected with the institution since 1924, and has been in charge of the Eastchester office since its opening as a branch of the former **First National Bank and Trust Company of Tuckahoe.** Mr. Hoey, an Assistant Cashier, has been Assistant Manager of the bank's Tuckahoe office since early 1956, and has been connected with the bank there since 1928. Mr. Bellows, Vice-President of the bank and former Manager of its Peoples Office in White Plains, has been assigned the duties of Regional Loan Officer for the entire White Plains area, and will have his office at 31 Mamaroneck Avenue in White Plains.

* * *

William L. Butcher of Scarsdale, Executive Vice-President of **The County Trust Company of White Plains, N. Y.** since 1946, was named a director of the company on Jan. 17. Before coming with County Trust in 1946, he was associated with **The Central Trust Company in Cincinnati.** A graduate of the Graduate School of Banking at Rutgers University, Mr. Butcher now serves on the faculty of that institution.

* * *

The Rockland-Atlas National Bank of Boston, Mass., announced on Jan. 16 the appointment of Stuart G. Hardy as Vice-President in charge of the Trust Department, effective Feb. 1. Mr. Hardy has spent his entire business career in the trust field except for a period during World War II and shortly thereafter. Prior to the war he was associated with the **City Bank Farmers Trust Company,** trust affiliate of **The First National City Bank of New York.** For the last eight years he has been an officer in the Trust Department of the **Granite National Bank, Quincy, Mass.,** formerly the **Granite Trust Company.**

* * *

COUNTY BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31,'56	Dec. 31,'55
	$	$
Total resources	132,380,033	111,352,9[illegible]
Deposits	119,890,391	100,804,1[illegible]
Cash and due from banks	20,365,269	16,901,4[illegible]
U. S. Govt. security holdings	25,255,570	19,608,4[illegible]
Loans & discounts	25,755,402	23,009,9[illegible]
Undivided profits	3,105,244	1,918,2[illegible]

* * *

The capital of the **First National Bank of Montclair, N. J.** became $656,250 as of Dec. 20, having been increased from $625,000 by a stock dividend of $31,250. The plans for the issuance of the stock dividend were noted in these columns Dec. 15, page 2087.

* * *

A three-for-one stock split was approved on Jan. 15 by the shareholders of **The Philadelphia National Bank of Philadelphia, Pa.,** at their annual meeting. Reporting the highest net operating earnings after taxes in the history of the bank, Frederic A. Potts, President, advised shareholders of plans for an 8% increase in dividends. Par value of the bank's stock was restated at $10 a share, and shareholders also approved an increase in the total of capital stock and surplus from $68,012,500 to $75,000,000. Mr. Potts announced that management will recommend to the board that an initial quarterly dividend of 45 cents be declared on the new stock, payable April 1. This is equivalent to an annual rate of

Continued on page 71

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market indicated mostly this week that the air is far from clear and that traders are sufficiently jittery to pitch in offerings when the list turns sour. The omens from the technical action were far from comforting.

* * *

The railroads, as far as their average is concerned, are well below their low of last year which offers half of a bear signal for at least the intermediate trend. Industrials so far have held well above their critical level of 466 although on one selling wave they did come within five points of this mark. But they rallied before the list was in position to test the level.

Volume Indications Bearish

Volume indications were on the dour side. The highest volume of the year came on a day of easier prices, and the technical rebound the following day was on the lightest volume of the still-young year.

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As with the list generally, steels were able to participate to only a limited extent in their rebound from the heaviness currently afflicting them. Even some good dividend action in spots in this group failed to inspire anything. Motors continue to show widespread disinterest, plus occasional selling that, among other things, nudged General Motors to a new low for more than a year.

Strength in Shipbuilding

Shipbuilding shares were among the few bright groups, but they had been cut back enough in recent reaction so that they were not in any position yet to show any real intention of tangling with their previous peaks.

* * *

Little in this contributed much to a better feeling in the Street. Conversely, there were few indications around that warranted a violation of heavy support levels on the downside and candidates among individual issues that should out-perform the general market were many and varied.

* * *

Joy Manufacturing, which was beset with some chagrin when predictions of a large year-end extra dividend proved to be false, was still held in high regard and, as a matter of fact, able to counter the downtrend in sick markets. The coal industry, principal customer for Joy's mining equipment, has shown no signs of ending its prolonged recovery and on top of earnings last year that were nearly doubled, the company entered this year with a record backlog.

A Prospering Diversifier

Kelsey Hayes, once tied closely to the ups and downs of the auto industry, is rapidly shaking off this dependence by branching into the aviation parts line. It enabled the company to hold on a relatively stable plane last year when the auto business was considerably less than distinguished. Aircraft parts sales came close to providing a fourth of volume for the year and the company is avowedly out to boost this to at least half of this year's sales.

* * *

Mesta Machine which necessarily will benefit from the steel company expansion programs also is just about on the brink of getting a good profits lift from activities that were a drag up to here, including a new foundry that is expected to increase output significantly. The company began the year with a well amplified backlog that assures excellent sales and earnings at least for the first half.

Shifting Among Defense Industries

There was some shifting of emphasis among the defense-minded contingent from the airplane to the missile companies, notably General Tire which continues to forge into new high ground in the face of a ragged general list. General Tire's participation in the field is through Aerojet-General Corp., a leading firm in rocket motors and fuels. The company is nearly completely owned by General. Where the rocket romance has boosted some issues to a 25-time-earnings price, Aerojet holds at around 18-times earnings. Currently, it accounts for about 20% of the earnings of General Tire which figure has been projected by some researchers as on an uptrend that will cross the 30% line easily this year and more than 40% next year.

* * *

Federal Paper Board, unlike the other paper stocks that reacted markedly from the highs, has been able to show reasonable stability even in uncertain markets. The attraction here is that it is the largest producer of folding box board, which field, in view of the high level of business activity, should hold up well even with some slackening of general business this year. Moreover, the company acquired a midwest firm last year which puts the company in a far better position both to serve its existing markets and to compete in the new area.

* * *

Tobaccos occasionally come in for some investment interest, mostly because of the comfortable yields and sheltered dividends that are available after recurrent easiness in this group from periodic cancer scares. R. J. Reynolds, in particular, has been able to grow impressively with a 15% increase in profits projected for this year over last year's results. The stock is available at below 10-times-earnings, and with a return of nearly 6%.

Some Blooming "Uranium" Issues

Also listed as an above-average growth issue in its field is Kerr-McGee Oil which is up toward the head of the list in its uranium operations. Atlas Corp. is another "uranium" issue that, as happened this week, occasionally takes over the limelight with an appearance at the head of a day's most active issues. A portion of the play in uranium issues stems from the fact that the most austere banking house of them all recently handled financing for Northspan Uranium which gives some new stature to this field.

* * *

A new name in the oil section is Champlin Oil & Refining, the old Chicago Corp., which has been shifting from an investment company to an integrated and growing oil company, a fact that hasn't been too fully discounted by the stock market. Then, too, the fact that some recent acquisitions were financed to a degree through a rights offering was also a bit of weight on the issue.

Chicago Corp., Champlin Refining and Peppers Refining were all rolled into one at the year-end to complete its emergence as an oil situation of promise. The company is important in the natural gas situation with an assured market for a large part which goes to Tennessee Gas Transmission. And, naturally, would stand to benefit if a new regulation-lifting bill clears Congress such as the one last year that tripped on the final hurdle when various lobbying activities caused the President to veto it. The stock has been selling at about 13-times-earnings of last year with a good boost in earnings virtually assured for this year.

[*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.*]

Crude Oil Price Increase And Effects Here and Abroad

By LESLIE EUGENE FOURTON

Carl M. Loeb, Rhoades & Co.
Member of New York Stock Exchange
And Leading Commodity Exchanges

The ramifications and implications of recent U. S. crude oil price increase is traced, domestically and internationally, by Mr. Fourton who concludes that this signals considerable improvement in oil industry's basic position.

Leslie E. Fourton

Higher prices for crude oil spearheaded by powerful Humble Oil and now being followed by the balance of the crude oil buyers revitalizes a dynamic segment of the industry which for sometime has shown signs of faltering under the spreading price squeeze created by higher costs and rigid crude oil prices. From the level of the producer of crude oil whose product now sells at $3.25 per barrel versus $2.90 formerly, most of the increase must be expected to rapidly spread upward to the refiner-marketer level if this part of the industry is to remain in a healthy position. Roughly, refined products must rise somewhere around ⅞ths of a cent per gallon on an average to maintain profit margins. Some small time lag may occur particularly in gasoline and the increase may be small depending on its future supply position while the difference is offset through larger increases in fuel oils. But on balance the integrated companies when the price change is fully digested can be expected to fair equally as well as the producer while no appreciable effect is anticipated for strictly refinery-marketing operations.

The implications of the U. S. crude oil increase on the world's other oil areas could be manifold. First, areas such as Canada where rapid growth in producibility has outpaced demand and therefore dissipated capital funds with no adequate replacement from revenues will now witness accelerated activity in anticipation of more satisfactory payouts. And the greatest significance is the easing of tension surrounding the import question under which the interest of the domestic U. S. producer, the importer and the foreign oil producing countries have virtually been in a hopeless snarl. Now the domestic producer realizing increased revenues can resume his search for replacement reserves less desperately concerned with production curtailing imports and higher costs. The importer less harassed by the independent producer can continue investing abroad in promising areas, curtailing somewhat the yearly rate increase of imports but operating on an improved basis with the ruling factions of foreign oil producing countries whose revenues also will have risen because of a small price increase reflecting the higher U. S. price structure.

The foregoing is painted with a very broad brush and it is necessary to recognize that a crude oil increase creates a myriad of cross currents with special problems in one area which are not common to others. Weeks and possibly months may elapse before the complete crude oil—refined products structure price can be well defined and hence future earnings of individual companies. Also, the timing of a solution to problems in the Middle East will have a powerful effect on such factors as prices, inventories, producing rates in the U. S., etc. However, despite many complicating factors which now must be resolved, the over-all effect of Humble's aggressive action signals considerable improvement in the basic position of the petroleum industry.

Govs. of Stock Exch. Ass'n Meet in Chicago

CHICAGO, Ill. — Governors of the Association of Stock Exchange Firms are assembling at the Edgewater Beach Hotel for their annual two-day Winter Meeting. The La Salle Street members of the New York Stock Exchange are represented on the board of this 44-year-old trade body by Edward F. Thompson, Jr., Lamson Bros. & Co., and Jay N. Whipple, Bacon, Whipple & Co.

E. Jansen Hunt, President of the association and partner in White, Weld & Co., New York City, will preside at the business sessions which will be devoted to discussions of current problems facing the investment business.

In addition to Mr. Hunt and the local representatives, the meeting is being attended by the following members of the Board of Governors: John D. Baker, Jr., Reynolds & Co., New York; John D. Burge, Ball, Burge & Kraus, Cleveland; Edward N. Carpenter, Jesup & Lamont, New York; Henry I. Cobb, Jr., De Coppet & Doremus, New York; William C. Coe, Mackall & Coe, Washington; Brittin C. Eustis, Spencer Trask & Co., New York; David S. Foster, Pershing & Co., New York; Herbert S. Hall, Morgan Stanley & Co., New York; Marco F. Hellman, J. Barth & Co., San Francisco; James A. Hetherington, II, Goodbody & Co., New York; Henry Hornblower, II, Hornblower & Weeks, Boston; James J. Lee, W. E. Hutton & Co., New York; Robert J. Lewis, Estabrook & Co., New York; Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; Charles L. Morse, Jr., Hemphill, Noyes & Co., New York; Harry C. Piper, Jr., Piper, Jaffray & Hopwood, Minneapolis; William C. Roney, Wm. C. Roney & Co., Detroit; Edward Rotan, Rotan, Mosle & Co., Houston; James H. Scott, Scott & Stringfellow, Richmond; Wickliffe Shreve, Hayden, Stone & Co., New York; J. Emerson Thors, Kuhn, Loeb & Co., New York; James G. Tremaine, Gude, Winmill & Co., New York; Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

W. C. Langley & Co. To Admit 3 Partners

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 31 will admit Francis J. Cullum, Kenneth F. Dietz and Donald D. Dietzer to partnership. All have been with the firm for sometime, Mr. Dietzer representing them in Syracuse.

Connecticut Brevities

The Hartford Gas Company has recently registered 60,000 shares of its Common Stock with the Securities and Exchange Commission. The new stock will be available for issuance in exchange for the $1,500,000 of 10-year 3¼% Convertible Debentures, due July 1, 1965, which became convertible on Jan. 1, 1957, into one share of Common for each $25 par value of debentures plus $2 cash. If the entire debenture issue is converted the present number of Common shares will be increased from 150,000 to 210,000.

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The Perkin - Elmer Corporation has received from the Office of Defense Mobilization a certificate of necessity which will permit the company to amortize over a five-year period for tax purposes 45% of $977,550 which covers the estimated cost of additional research and development facilities which are to be located at Norwalk. The company is primarily engaged in work on commercial analytical instruments, such as infra-red spectrometers, and precision optics, such as aerial camera lenses and periscopes.

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Scovill Manufacturing Company is in the process of raising nearly $15 million of new money through sale of an issue of debentures and an offering of additional common to its stockholders. About two-thirds of the new money has been raised through sale of $10 million of 25-year 4¾% Debentures, due 1982, to the public through underwriters at a price of 98½ to yield 4.85%. The balance of the new money is being raised through an offering of 176,450 shares of common stock to stockholders of record Jan. 3 on a one-for-eight basis at a price of $28.50 per share, with the subscription offer expiring on Jan. 21. The new money will be used in connection with a major capital improvement program in the amount of about $25 million during the 1957 and 1958 years. The major single project involves about $8 million for a new tube mill to be located in New Milford.

* * *

The Plastic Wire and Cable Corporation on Jan. 16 mailed to its stockholders warrants to purchase one additonal share of common stock for each 12 shares or part thereof held of record on Dec. 17, 1956. The subscription offer which is at a price of $16.50 per share will expire on Feb. 8. The proceeds will be used for additional plant expansion and to provide working capital to meet the requirements of the company's expanding business. Net sales to commercial customers have increased from $2.1 million in the 1950 fiscal year to $10.5 million in the year ended Sept. 29, 1956. Net income in the 1956 year was equivalent to $3.80 on the shares outstanding at the year-end.

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The basically agricultural community of Kent has recently acquired its first new industrial plant in many years. **Berkshire Transformer Corporation** which was formerly located in New Milford where it employed 100 workers has moved to a new 15,000 square foot single story built through the efforts of the recently organized **Kent Development Corporation.** Berkshire Transformer produces chokes, reactors and transformers for the electronics industry. In the early part of the 19th century Kent was the scene of a thriving iron industry employing close to 300 persons, but in recent years has not had any industrial plant employing more than a few persons.

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The H. P. Townsend Manufacturing Company has recently occupied its new plant located in the Elmwood section of West Hartford. The Company's operations, formerly located at various locations in Connecticut and Ohio, are being moved to the new building which includes a floor area of 42,000 square feet. Townsend produces machine tools, particularly screw and riveting machines.

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The United Aircraft Corporation has recently announced that its current employment figure has reached 60,000 which is divided approximately 50,000 for the Pratt & Whitney Division, 10,000 for the Hamilton Standard Division and 10,000 for the Sikorsky Aircraft Division.

Statter Pres. of NY Sec. Dealers

Eugene G. Statter, of Hoit, Rose & Company, has been elected President of the New York Security Dealers Association, it has been announced. Mr. Statter also is a member of the District No. 13 Committee of the National Association of Securities Dealers, Inc.

Eugene G. Statter

First Niagara Formed

BUFFALO, N. Y.—First Niagara Corporation has been formed with offices in the Liberty Bank Building to engage in a securities business. Officers are Harold C. Brown, Chairman and Treasurer; Garfield L. Miller, Jr., President; Charles H. Feuchter and Herbert F. Harvey, Vice-Presidents, and M. R. Hooper, Secretary. All are officers of Harold C. Brown & Co., Inc.

B. A. Bradshaw Opens

LUFKIN, Texas — Barney A. Bradshaw has opened offices in the Lufkin National Bank Building to engage in a securities business. He was formerly local manager for Southwestern Securities Company.

Los Angeles Div. of Pacific Coast Exch. Re-elects Naley

LOS ANGELES, Calif. — Frank E. Naley, E. F. Hutton & Co. partner, has been re-elected Chairman of the governing board of the Los Angeles Division of the Pacific Coast Stock Exchange (formerly the Los Angeles Stock Exchange).

Frank E. Naley

Also elected to the governing board for three year terms were Edward Calin, partner, Calin-Seley & Co.; D. Roger Hopkins, partner, Hopkins, Harbach & Co.; and P. J. Shropshire, partner, Mitchum, Jones & Templeton.

The election of the chairman and new governors took place at the annual meeting of members at the exchange.

At the Governing Board organizational meeting of the Los Angeles Division, Franz Osthaus, Vice-President of Bateman, Eichler & Co., was re-elected Vice-Chairman of Pacific Coast Stock Exchange.

Thomas P. Phelan W. G. Paul

Edward Calin of Calin-Seley & Co. was elected Treasurer. W. G. Paul, President, and Thomas P. Phelan, Executive Vice-President and Secretary, were both reelected.

Mr. Osthaus, who was elected to the Los Angeles Division Board in 1955, has been associated with Bateman, Eichler since 1943.

Inez Vermillion and A. R. Gilbert were re-elected as assistant secretaries of the Los Angeles Division.

Mr. Naley, who has been associated with E. F. Hutton & Co. since 1920, just recently was elected governing board Vice-Chairman of the newly formed Pacific Coast Stock Exchange which is composed of the Los Angeles and San Francisco divisions.

Messrs. Calin, Hopkins and Shropshire are all former governors of the Exchange.

The remainder of the Los Angeles Division Board is composed of Franz Osthaus, Bateman, Eichler & Co.; Phelps Witter, Dean Witter & Co.; Lloyd C. Young, Lester, Ryons & Co.; Leo B. Babich, Hill Richards & Co.; Sidney C. Knobloch, Crowell Weedon & Co.; and Horace E. Martin, Daniel Reeves & Co.

Paul E. Riggs Opens

OKLAHOMA CITY, Okla. — Paul E. Riggs is conducting a securities business from offices at 2124 Northwest 29th Street.

Paul Ryback Opens

Paul Ryback is engaging in a securities business from offices at 575 West End Avenue, New York City.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Indications point to the prospect that when the 1956 fire-casualty insurance company reports appear they will disclose that to an important degree the first half will have set the underwriting pattern for the year. It is probable that in some cases the second half showing will be a moderate improvement over the very poor performance of the earlier period, but not a great deal. Again we will see that, while the industry results may have underwriting in the black by a very modest margin, the larger multiple-line units will for the greater part be in the red. Of course this is because the industry has a large number of specialty companies and of adjuncts to finance companies on which they depend for part of their expenses. But the multiple-line units were exposed in 1956 to a condition that occurs only infrequently; it was the fact that losses were encountered in almost every line of writing, and this was at a time when there had just been some important rate reductions. And as, generally speaking, most state supervisory authorities reexamine rates only after they have been in effect for several years, the companies are not likely to get much relief in that form in the near future. Obviously, in what may be considered to be hardship cases, some alleviation will be forthcoming. There has been some criticism of the companies for rate-cutting at a time when the industry feels that the present premium rates are inadequate; and there is no gainsaying that with competition as intense as it is in the field, some rate cutting has gone on.

Of the growing lines, extended coverage, which accounted for a negligible $34,000,000 of premium volume back in 1940 (only about 2% of all stock company premiums written) grew to around a half billion of writings in 1956. And while there were no hurricane visitations to the northeast that had been so hard hit in recent years, there were large losses in 1956 resulting from bad tornadoes in a number of mid-western states. Data for the industry are not yet available, but the line, while showing some betterment in 1956, probably continued in the red for a large proportion of the companies, and did not bring down by much the loss and expense ratio as averaged over the years 1951-1955 inclusive at around 116.5%. But improvement in this is on the way as the use of deductible provisions in policies and of higher rates is being felt more.

The fire line is expected to wind up somewhat in the red; and as it is one of the more important ones in point of premium volume, it can add materially to the poor over-all showing for the year.

In the motor vehicle lines, results continued to show some deterioration as higher costs of car repairs and of medical and hospital expenses were much in evidence. Costs of motor car repairs continue to mount largely because of the use of so much fancy construction on fenders as well as the tendency to incorporate fenders with the body.

Workmen's compensation and general liability were exceptions to the list of lines that operated in the red in 1956, as were the ordinarily profitable fidelity and surety lines.

In the investment end of the insurance business, portfolio managers encountered unsatisfactory going in both common stock and bond price trends. However, income from equity holdings was moderately higher, which will tend to offset somewhat the unfavorable underwriting results. The past few years have added enormous total amounts to insurance portfolios, especially those that are heavily weighted with common stocks. Indeed, such were the additions to portfolio valuations that any slowing down in this trend can be regarded with some equanimity. Of course any development of a bear market will wipe out much of these gains. An official of the investment department of one of the larger companies once stated that inasmuch as it would be an impossibility for a company of the size, if a bear market were sensed, to unload any appreciable amounts of stock, their policy must necessarily be a long-term one in which each succeeding major high was higher than the preceding one, and each major low above the preceding major low. As investing in insurance stocks is a long-term affair anyhow such a policy fits in with the long-range growth that is contributed by the underwriting end of the business.

With rather poor reports due out, there would seem to be plenty of time to do any buying of fire-casualty insurance shares.

Francis I. du Pont Co. To Admit Two Partners

On Feb. 1 Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Harry G. Williams to general partnership and Mary L. du Pont to limited partnership. Mr. Williams will make his headquarters in the firm's Los Angeles office, Statler Center.

Yates, Heitner Branch

SPRINGFIELD, Mo. — Yates, Heitner & Woods have opened a branch office at 427 St. Louis St. under the management of Walter N. George, Jr.

C. Newton Schenck, Jr.

C. Newton Schenck, Jr., partner in Mitchell Hutchins & Co., New York City, passed away at the age of 63 following a long illness.

LETTER TO THE EDITOR:

Discourse on Interest Rates And Inflation

Ohio Professor explores the question as to whether rising interest rates are, or are not inflationary, and contends "the state of business is a cause, not an effect, of interest rates, or of other prices."

Editor, Commercial and Financial Chronicle:

Mr. Thurlow is to be congratulated for his "start from scratch" approach in his article, "The Sword of Damocles" ["Chronicle" of Jan. 3, 1957] to the question concerning the effect of higher interest rates and also to the question of whether economists do or do not know any more about this problem than anybody else who chooses to think about it.

I suspect that if Mr. Thurlow had in the past chosen to study the inflationary or deflationary aspects of Federal income taxation, he would have disagreed with the economists, the great majority of whom believe that increasing income tax rates are deflationary. And he would have been right.

I would like to contribute these few simple remarks in support of Mr. Thurlow's belief that rising interest rates may in fact turn out to be inflationary.

Whether or not rising wages, rising taxes, rising prices, or rising interest rates are inflationary or deflationary depends on the course of business activity. If business activity is increasing, these rising costs will be passed along. If business activity is not increasing they cannot be passed on. In the former case we have inflation. In the latter deflation. The state of business is a cause, not an effect of interest rates, or of other prices.

All theories to the contrary notwithstanding, no economist has yet explained the rate of business activity, and I doubt that any economist ever will. Knowledge by everybody of the future course of business activity would lead to acts that would prevent what is considered to be known from happening.

OLDRICH JICHA
Assistant Professor, Business Administration,
Bowling Green State University,
Bowling Green, Ohio
Jan. 22, 1957.

Bache & Co. Will Admit New Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange on Feb. 1 will admit George F. Garlick, Jr., William F. Kann, Jay Lewis Rubin to general partnership, and Ernestine R. Abbott, Richman Proskauer and Edith H. Proskauer to limited partnership. Mr. Kann will also hold a limited partnership.

Eastman Dillon, Union Securities to Admit

SAN DIEGO, Calif.—Edward S. Hope on March 1 will become a partner in Eastman Dillon, Union Securities & Co., members of the New York Stock Exchange. Mr. Hope, a member of the Los Angeles Stock Exchange, is President of E. S. Hope & Co., Inc.

Schwabacher Co. Receives Defense Award

Maj. Gen. Robert B. Landry, Commander of the U. S. Fourth Air Force (R.) presents Department of Defense Reserve Award Pennant to Albert Schwabacher, senior partner at Schwabacher & Co. at recent ceremony honoring the San Francisco firm for "Cooperative Personnel Practices . . . in Support of Reservists and Reserve Activities of the Armed Forces."

In a recent ceremony before employees and notable guests, Schwabacher & Co., San Francisco investment firm, was presented the Department of Defense Reserve Award for "Cooperative Personnel Practices in Support of the Armed Forces Reserve Program."

Nominated for the award by George Frioux, a registered representative in Schwabacher & Co.'s Sacramento office and a Captain in the Air Force Reserve, the award was presented by Maj. Gen. Robert B. Landry, Commander of the U. S. Fourth Air Force to Albert Schwabacher, senior partner in the firm.

After noting letters of congratulations from Governor Goodwin Knight of California and Secretary of Defense Charles E. Wilson, Lt. Col. LeVon Philibosian, Commandant of the Sacramento Air Reserve Center, read the award citation honoring Schwabacher & Co. for "permitting reservist personnel leave with pay for annual tours of duty, encouraging employees to maintain their Reserve affiliations and for making suitable arrangements for handling brokerage accounts of Reserve personnel when they are absent on active duty."

Supervisor Henry Rolph of San Francisco, representing the city, noted the value of the award to Schwabacher & Co. and to the national defense.

Suplee, Yeatman, Mosley Co. Formed

PHILADELPHIA, Pa.—R. Victor Mosley has joined Suplee, Yeatman & Co., Inc. to form an enlarged investment company under the name of Suplee, Yeatman, Mosley Co., Inc.

R. Victor Mosley

William Z. Suplee

Pope Yeatman, Jr.

The firm has moved from the Lewis Tower Building into larger offices on the 17th floor of 1500 Walnut Street.

Suplee, Yeatman, Mosely Co. Inc. will conduct a general investment banking and brokerage business. William Z. Suplee is President, while Pope Yeatman, Jr., Mr. Mosley and S. Oscar Boughner are Vice-Presidents.

Romeyn B. Quintard is Secretary, Ethan G. Zuber Treasurer, Margaret E. Brusstar Assistant Treasurer, and Edgar A. Christian Assistant Secretary.

Mr. Mosley had been with Stroud & Company, Inc., Philadelphia, where he was a Vice-President, until June of last year. He had been associated with Stroud & Company since 1920. Mr. Christian had been previously with Stroud & Company and Janney, Dulles & Company.

The firm of Suplee, Yeatman & Co. was founded by Mr. Suplee and Mr. Yeatman in 1932. Mr. Suplee had previously been associated with Bonbright and Company.

Mr. Mosley is well known throughout the country. He is extremely active in various associations in the financial field at both the local and national levels.

Pitfalls in Statement Analysis

By BENTLEY G. McCLOUD, JR.*
Vice-President, The First National Bank of Chicago

Chicago banker specifies what to look for in making a comprehensive credit analysis; offers suggestions in analyzing a balance sheet and financial statement; and recommends knowing not only the specific firm, its industry and the trends, but also the general economic climate. Mr. McCloud describes the desirability of interim financial statements and knowledge of management's competence through personal contact and investigation, and what it takes to pursue an aggressive lending policy.

Financial statements can certainly be considered a useful tool to the credit analyst, who is charged with the responsibility of making commercial loans to the customers of his bank. That he should deny those requests for credit, which are of a speculative nature, and which involve an undue amount of risk, is almost a platitude. On the other hand, those customers who are deserving of credit for their legitimate business needs are entitled to a sympathetic hearing and to an intelligent analysis of their financial statements. At the minimum, these statements should include an annual audit report, including a detailed balance sheet; a reconciliation of the surplus account; and a statement of profit and loss for the fiscal year under review. In addition, many audits presently contain a statement of the source and application of funds, a detailed analysis of the receivables, and other similar exhibits which enable the commercial loaning officer to make a comprehensive credit analysis.

B. G. McCloud, Jr.

As you know, a balance sheet can be likened to a still picture, or a snapshot, as contrasted to a moving picture. The balance sheet gives a glimpse of a business enterprise—its assets, liabilities and net worth—at a given moment in time. By its nature, every item in the balance sheet is in a state of change. Thus — in statement analysis—it is necessary to have a series of balance sheets for comparison purposes, in order to give continuity to the review. While many ratios can be applied to give us a better understanding of the balance sheet, certainly the old reliables are the ratio of current assets to current liabilities, the relationship of receivables to sales, the turn-over of inventories into sales or cost of sales, the ratio of debt to net worth, ratio of fixed assets to net worth, and of cash and receivables to current liabilities.

Know Specific Business and General Economic Conditions

The Robert Morris statement studies should be given careful attention, for obviously, balance sheet ratios will vary widely among different types of enterprise. Manufacturers of automobiles, industrial machinery and rubber products necessarily have a heavy investment in fixed assets and thus, the percentage of fixed assets to net worth will be 35% to 50%, or higher. Shoe manufacturers, however, should have no more than 18% to 20% of net worth in fixed assets. Similarly, when a certain industry operates on a narrow profit margin, as is the case with the meat packers, then it must secure a much greater inventory turnover than does the company with a 25% or 30% gross profit margin. Thus, a knowledge of specific industries and their trends is essential to the loaning officer in making his credit analysis.

Further, the general economic climate or level of business prosperity must be considered at all times. In periods of great prosperity, the managements of marginal companies can keep their heads above water and even show modest profits, whereas a moderate business recession could rapidly separate the "men from the boys." Many companies are today meeting stern competition and incurring substantial losses, despite the high level of business prosperity. The tanning industry has had tough sledding in recent years, due to the increasing use of synthetic substitutes—particularly in the upholstery field. Furthermore, less than 40% of shoes today are manufactured with leather soles, whereas only a few years ago, the sole leather tanners had this business almost to themselves. Other industries are in a state of decline and may ultimately pass into oblivion.

An example of this is leather dress glove business. In 1947 there were 250 glove manufacturers, with annual sales of $46,800,000 and 8,900 employees. In 1954 there were 143 manufacturers, with sales of $28,400,000 and 4,400 employees. The heated automobile has much to do with this, as well as the increasingly casual dress of modern men. Gone are the derby hats, stiff or starched collars, and gloves dictated by men's fashions in days gone by. Accordingly, we should satisfy ourselves that the industry prospects of our borrowers include no unusual hazards.

Thus, in the light of general economic conditions and with due regard for the business outlook in the specific industry in which our customer is engaged, what are some of the pitfalls of which we should beware? In the first place, the auditor's certificate should be scrutinized closely, for if there is not a positive opinion expressed, then the banker should learn why the opinion is qualified or no opinion expressed. After satisfying himself that the auditor's certificate is in satisfactory form and unqualified, next, the banker should check the name of the auditing firm and its standing in the profession. An unqualified opinion by firm of high professional competence and integrity will inspire a feeling of confidence in the credit analyst. If the receivables and inventories are of such proportions as to be a significant factor in the credit analysis, then the auditor should have confirmed the receivables and also observed the inventory count. He should also be satisfied as to the basis of inventory valuation.

Questioning the Financial Statement

Another pitfall against which we should be on the alert is the idea that financial statements are always accurate presentations and the value of the dollar constant. Increased sales volume could represent lesser unit volume in an inflationary period. Obviously, the

Continued on page 64

*An address by Mr. McCloud before the Conference of Bank Correspondents of the First National Bank of Chicago.

Federal Budget for Fiscal 1958

President Eisenhower's budget for the fiscal year 1958 allows for a budget surplus of $1.8 billion, advocates taxes at present rates be retained, strengthens collective security, and assumes a high level of business activity with increasing national income. Out of the estimated public receipts of $85.9 billion, $1.4 billion is designated for debt reduction, 63% for protection, 24% for civil benefits and 10% for interest.

In submitting a recommended budget for the United States for the fiscal year 1958, President Eisenhower included a discussion of major proposals for legislation, and expressed the belief that "the prospect for continued economic growth is bright."

Pres. Eisenhower

The budget message to Congress emphasized that the "budget must contribute to the Nation's financial stability and to the preservation of the purchasing power of the dollar." Towards this end, the budget provides a small surplus to reinforce the restraining effects of present credit and monetary policies, postpones less pressing expenditures, and proposes that present taxes be continued. It is intended that the budget policies and legislative proposals will also make possible better domestic and international defense, more fruitful exploitation of our natural resources, provide schools, free gas producers from public utility-type regulation, aid small businesses, improve the public health, and place the Post Office on a pay-as-you-go fiscal basis.

The summary text of the Budget message in part follows:

I am presenting with this message my recommended budget for the United States Government for the fiscal year 1958, which begins next July 1.

This is the fourth budget which I have transmitted to the Congress.

In my first budget message—that for the fiscal year 1955—I emphasized the administration's determination to chart a course toward two important fiscal goals—balanced budgets and tax reductions.

Reductions in spending evidenced in the 1955 budget made possible a large tax reduction and tax reform program.

The 1956 budget was balanced.

The 1957 budget will be balanced.

A balanced budget is proposed for 1958.

I believe this policy of fiscal integrity has contributed significantly to the soundness of our Nation's economic growth and that it will continue to do so during the coming fiscal year.

National Objectives

This budget is for the first fiscal year of my second term in office. In making plans for the coming year, I have been guided by the following national objectives:

(1) Peace, justice, and freedom for our own and other peoples;

(2) Powerful armed forces to deter and, if need be, to defeat aggression;

(3) A healthy and growing economy with prosperity widely shared;

(4) Enhancement of individual opportunity and the well-being of all our people;

(5) Wise conservation, development, and use of our great natural resources;

(6) Fiscal integrity;

(7) A well-balanced choice of programs at home and abroad; and

(8) Increasing international trade and investment essential to the growth of the economies of the United States and the rest of the free world.

We have made considerable progress toward these goals. We will continue this progress in the years ahead.

Budget Policy

Today, almost 12 years after World War II, the United States has demonstrated that it is possible to sustain a high employment economy independent of war and continually unbalanced Federal budgets. Adjustments to changing economic circumstances have been and are being made successfully. Productivity and living conditions have improved. With sound public and private policies, the prospect for continued economic growth is bright.

Attainment of that goal is possible only with prudent management of the Government's fiscal affairs. Our Federal budget must contribute to the Nation's financial stability and to the preservation of the purchasing power of the dollar. Maintaining a sound dollar requires of us both self-discipline and courage. At a time like the present when the economy is operating at a very high rate and is subject to inflationary pressures, Government clearly should seek to alleviate rather than aggravate those pressures. Government can do its part. But business and labor leadership must earnestly cooperate—or what Government can do in a free society at a time like this will *not* prevent inflation.

For the Government to do its part in the coming year, taxes must be retained at the present rates so that receipts will exceed budget expenditures and the public debt can be further reduced. The prospective budget surplus in the fiscal year 1958 will reinforce the restraining effect of present credit and monetary policies. The present situation also requires that less pressing expenditure programs must be held back and some meritorious proposals postponed.

Expenditure and Appropriation Policy

While taking present economic conditions into consideration, the budget must also reflect the general responsibilities of a Government which will be serving 172 million people in the fiscal year 1958. In the face of continuing threats to world peace, our collective security must be strengthened through alert international policies and a strong defense. Progress toward greater equality of opportunity for all of our people as well as toward a balanced development and conservation of our national resources must go forward. Emphasis must continue upon promoting, through private enterprise, the development and productivity of our economy.

We must move forward in some areas of investment while we hold back in others. For example, the needs for schools, highways, and homes are so urgent that I am proposing to move ahead with programs to help our States, cities, and people undertake such construction at a prudent rate. However, in view of the present active competition for labor, materials, and equipment, I am not recommending some other desirable construction projects, and I have asked the head of each Federal agency to watch closely the timing of construction and to postpone work which can be appropriately put off until a later date.

* * *

Continuation of balanced budgets into the future requires that the total of new authority to incur obligations, as well as the budget expenditures for the year, should be less than the total of realistically anticipated budget receipts. This policy of controlling budget authorizations, which has been followed since the beginning of this administration, has helped us move from a budget deficit of $9.4 billion in the fiscal year 1953 to balanced budgets in 1956, 1957, and 1958.

In this budget the total of new authority proposed for 1958 is $73.3 billion, $279 million less than estimated budget receipts. Of the total recommended new authority, specific action by this session of the Congress will be necessary for $65.3 billion. Other new authority, such as that for paying interest on the public debt, will become available under previously enacted permanent authorizations.

The total amount of new obligational authority recommended for the fiscal year 1958 is $2.8 billion greater than the present estimates for 1957. Budget expenditures are estimated to increase by $2.9 billion to a total of $71.8 billion in 1958. These estimates include my proposals for new legislation as well as present programs.

For both new obligational authority and expenditures, about seven-tenths of the estimated increase between 1957 and 1958 is for the military functions of the Department of Defense, reflecting the higher costs of producing, operating, and maintaining the complex new weapons and equipment being delivered in growing quantities to our defense establishment. Other major increases are for the Department of Health, Education, and Welfare, including my proposal for aiding school construction, and for the Atomic Energy Commission.

The figures contained in this budget for the fiscal years 1957 and 1958 are not precisely comparable to the actual figures for prior years. Under the provisions of legislation enacted last year, the financial transactions for the greatly expanded Federal - aid highway program are included in

Continued on page 62

New Authority to Incur Obligations

(Fiscal years. In billions)

Proposed for enactment in this session:	1956	1957	1958
Recommended at this time	......	......	$56.7
Proposed for later transmission:			
Under existing legislation	......	$0.8	*
Under proposed legislation	......	0.8	8.6
Total	......	1.6	65.3
Enacted prior to this session:			
Current authorizations	$53.3	60.7	......
Permanent authorizations	9.9	8.2	8.0
Total	63.2	70.5	73.3

*Less than $50 million.

Budget Totals

(Fiscal years. In billions)

	1956 actual	1957 estimate*	1958 estimate*
Budget receipts	$68.1	$70.6	$73.6
Budget expenditures	66.5	68.9	71.8
Budget surplus	1.6	1.7	1.8

*In this and other tables in this budget tax receipts, expenditures, and new obligational authority under the new pay-as-you-build highway program are excluded from the estimates of budget receipts and expenditures for 1957 and 1958. As a result, the estimates for these two years are not entirely comparable to the figures for prior years. The financial transactions relating to the new highway program are carried as trust fund transactions, in accordance with the legislation enacted during the past session of the Congress, and are so shown in part III of this budget document.

Business and Finance Speaks After the Turn of the Year

Continued from first page

nies fail to achieve what might be termed a desirable goal. These earnings, however, have increased both before and after taxes in almost every year of the past decade, and 1956, according to the estimate of the Life Insurance Association of America, will show a further substantial increase. In fact, the most dramatic occurrence in the financial world in the past year has been the increase in interest rates on almost all forms of investments. As a result, it is possible presently to purchase high quality bonds of large corporations at yields about 1% higher than a year ago. In view of the fact that there are close to 120,000,000 insured people in this country, the benefits derived from investments made at these higher yields will be shared by a very large part of this country's population. The life insurance companies continue active in purchasing securities and mortgages. Their present commitments for investments to be paid for in 1957 and on into 1958 are very heavy, so there is every assurance that the interest earnings of the life insurance companies will continue to improve. It must always be kept in mind, however, that life insurance is fundamentally a long-term business and assets are invested for long periods of time, so the swings in interest earnings necessarily are slow.

Looking at 1957, in view of the favorable times prevailing in this country, there is every reason to expect the current good conditions in the life insurance industry will continue. There are tremendous unfilled needs for the protection provided by life insurance, so with better trained representatives this industry should better fulfill those needs. Similarly, the existing prosperity in this country should assure continuance of last year's low mortality rate and the steady improvement in interest earnings.

The two most important factors in the cost of life insurance are the mortality rate and the interest earnings. A further lowering of the cost of life insurance protection is foreseen.

HARRISON L. AMBER

Chairman of the Board, Berkshire Life Insurance Company

As we enter the New Year 1957 there is every indication that some people will spend more dollars for more goods and services than in any other year in our history. Managers in most segments of industry have an optimistic outlook for the coming year, with many projecting revenues to new highs.

Harrison L. Amber

Actually, we should probably see a renewed interest in buying on the part of the consumer and most especially to those, and there are many of them, who now have paid off part of their past indebtedness and increased their equity in household goods, automobiles and such other equipment. Consumer credit will resume its rapid rate of growth as this happens, characteristic of the postwar period.

The spending plans of industry and governmental subdivisions totaling a record of $46.4 billion should help stimulate the economy. It is questionable whether all of this can be adequately financed this year, but if some must be delayed it will help bolster the economy the following year.

These things, plus such factors as the Federal Road Building Program, the Housing Program, and larger take home pay seem to indicate that the prosperity of the flourishing '50s will continue. No doubt there will be readjustments in certain areas but basically things look healthy.

Perhaps the most essential force behind our dynamic growth has been the increase in population and increase in productivity. In addition to a rising number of people, there has been an increasing per capita usage of items like steel, non-ferrous metals, oil, electric power, and many others. These trends are likely to continue with the resultant stimulating effect on business.

The increasing population is, of course, of great interest and benefit to the life insurance industry. It means more heads of families and more dependents, all of which means a greater demand and need for life insurance. With every increase in wages comes an increase in the standard of living. If the family is to maintain some such standard of living, insurance must be used in the event that the head of the household does not survive.

The most deterrent factor in life insurance is the philosophy which is being created by paternal government—namely, that the government will look after us if we make no provision for our own future. Too few of us ask, "Who is the government?" Fortunately for the life insurance industry, and for our people also, we have been able, through the sale of billions of dollars of life insurance, to make it possible not to depend entirely upon a paternal government. We in the life insurance industry must prosecute our business vigorously if we are to maintain the fundamental philosophy that we should maintain ourselves independent of governmental agencies. So far we have been able to get the citizens of this country to save through life insurance.

I believe we will be successful in 1957 and that another prosperous year will be experienced in the life insurance industry.

ROBERT O. ANDERSON

President, Malco Refineries, Inc.

Any forecast or prediction regarding the oil industry for 1957 must be viewed in conjunction with the turn of events in the Middle East and the duration of the Suez crisis. Increased demand and record sales during 1957 are a foregone conclusion with the magnitude of gain completely undeterminable at this date, largely because of international uncertainties. All in all, the oil industry should have an exceptional year in 1957.

Robert O. Anderson

The industry's excess producing and refining capacity may very well reach a position of closer balance, as the construction of new refining capacity slowed perceptibly during 1956 and plant completions for 1957 will not materially change the picture.

The capital cost of new refining capacity is now so high that most companies are more hesitant in expansion plans than heretofore. The experience of surplus capacity during recent years had added to this reluctance, and I do not believe that the magnitude of excess capacity will be maintained in the future.

I am convinced that 1957 will be a much better year for the producing segment of the industry as imports appeared to be moderating even before the impact of the current Suez situation. The world shipping situation must be taken into consideration if one wishes to view the long range economics of importation, and one cannot help but wonder if shipping will be in adequate supply before 1960, if even then.

The big inroads of imported crude into the United States coincided with declining tanker rates over the past few years and the present high shipping costs cannot help but have a bearing on crude purchasers' decisions during 1957. This fact coupled with the relative assurance of domestic supplies reduces the attraction of foreign crudes very greatly.

With an almost certain increase in volume of sales during 1957, one might readily speculate as to its effect on both the price of crude oil and its products. In my opinion, the long range view of markets must be maintained and any price advantage gained by shortages created by the Suez situation would not be only shortlived, but would put the industry in a bad light at a time when it can ill-afford it. A modest crude and product increase will probably be effected in 1957, but must fall far short of what the producing segment feels is needed at this time.

Crude petroleum and its products have now risen in price to where any large increase could have the effect of pricing its products out of a market. The current cost of finding and producing a barrel of crude oil may well be of such a magnitude that domestic production is no longer an attractive economic venture in a free economy such as ours.

The cost of finding and developing oil if translated into mining and development costs could very easily bridge the gap between crude oil and shale oil. The production segment of the industry must not only recognize that it must be competitive but that unless new and more effective exploration techniques are developed, wildcatting as we know it will ultimately decline in this country.

In summary, I would say that while there is every reason for optimism as regards operations for 1957, the greatest immediate problem facing the industry is the re-establishing of the Middle East oil supplies to Northern Europe, and one can only hope that the Suez crisis does not deteriorate or spread to other areas.

ARTHUR BAER

President, Stix, Baer and Fuller

The atmosphere of the economy as a whole leaves little doubt concerning its stability. A somewhat sidewise trend during the past Christmas season at near record-breaking levels leaves it strong in all segments, resulting in a favorable outlook for the period ahead, notwithstanding the tight money markets.

Arthur B. Baer

Even though there hase been some decline in defense spending, there are now indications that the government must increase its budget, which will further help to create a stabilizing tendency.

Increased spending by state and local governments will set a new high. Housing, which more or less is restricted because of interest rates, will be lower but not substantially enough to cause any serious disruption. The need for highways, schools, churches, public buildings, etc. is urgent and cannot be taken care of fast enough to bring them in line with demand.

The fiscal policies of the government have been slanted towards stabilization. The Federal Reserve Board actions, while having some depressing effects for the present, should in the long run be beneficial in preventing runaway inflation.

The continued growth of the population, creating expanding markets for goods and services, coupled with rising standards of living, are all additional growth factors.

Income, which is one the most important yardsticks for determining the trend of the retail business, continues upward and with a minimum of unemployment will create a demand for goods and services in excess of last year. Consumer, credit, although higher in relation to other years, is conservative relative to total income. Savings continue at a sound ratio. Contrasted to other periods, inventories are generally in a liquid condition.

Money spent for research to develop new products and improving facilities because of competition now is beginning to bear fruit. This has created new avenues for expansion and spending. The possibilities are unlimited. Moreover, more efficient ways of operating make it necessary for all industries to keep up with the trend to continue to get their share of the potential available. As new developments occur, buildings, machinery and equipment must constantly be improved.

Tax laws aid in providing the impetus by permitting accelerated depreciation, thereby providing some of the funds necessary to pay for this development. Higher interest rates will not be a severe deterrent to this progress.

The financial condition of business in general is strong, even though there exists a need for working capital to finance expansion over the long trend.

Although 1957 may not be characterized as a "boom" year in terms to which we have become accustomed, I believe that it will be another record-breaking one and we can approach it with a feeling of optimism.

HERBERT BARCHOFF

President, Eastern Rolling Mills, Inc.

Barring further deterioration of the international situation which would provide an artificial impetus to the American economy, the entire metal industry both ferrous and nonferrous, will be in for its most competitive year since the end of World War II.

Herbert Barchoff

This outlook for 1957 has been confirmed by a last-minute survey of metal fabricators sponsored by my firm, Eastern Rolling Mills. Except for a few specialty lines, this is the situation on which we are basing our own plans for the year.

Brass and Copper: The copper industry is suffering from a hang-over caused by the run-away price binge in which it indulged during 1955 and the early part of 1956. From a high point of 46 cents a pound officially and mid-50 cents a pound unofficially, it has dropped first to 40 cents, then to 36 cents, with further reductions highly possible.

The price drop holds ominous implications for copper suppliers not only for 1957 but for the years ahead as well. What has happened in an immediate sense is that the tight money market has forced users to cut back on their inventory investments, buying only for week-to-week needs, and shop the market.

Of long-range importance is that designers and manufacturers are extremely reluctant to return in volume to a metal that is so highly volatile in price and availability. They are turning to substitute metals, particularly aluminum, which are much more stable in both price and supply.

Aluminum: Large segments of the gigantic expansion program undertaken by the aluminum industry have been completed in recent months, and 1957 should find users adequately supplied. Present demands are being met on a regular basis, so that manufacturers will be able to benefit from the economies of well-planned production schedules during the year. Huge building and construction projects will undoubtedly dip heavily into the supply later in the year. New uses for the most versatile of metals will also appear, and, depending on their popularity, can also change the supply picture.

Steel: Its surppliers will also have to be strongly competitive this year. Coil and strip will be in abundance. Structurals, plates, and special alloys will remain in demand, and require lengthy advance ordering. The leveling off of the economy, coupled with the steady expansion of the steel industry since 1955, will make for a continued easy supply situation.

In both aluminum and steel, price increases must be expected during 1957 because of the increased wage schedules already written into long-term union contracts. These same contracts, incidentally, are another guarantee of continued supply, since they assure freedom from work stoppages for the next two years.

Generally there's some danger that metal users will be misled by the high note of optimism now being sounded. There's not much doubt, according to such barometers as the gross national product, that 1957 will

Continued on page 22

Continued from page 20

be one of the best years in our economy—but not all businesses will make out equally well.

Inventory buildups should be watched carefully. If they run ahead of sales during the first half of 1957, start putting the brakes on. It invariably means that the second half of the year will fall behind the first in production demands and size of market.

THOMAS BARDON

President, Shattuck Denn Mining Corporation

Based on figures for the first 10 months, the 1956 consumption of zinc in the United States should approximate 995,000 tons, compared with 1,078,968 tons in 1955 which was an all-time high. In 1956 consumption was retarded by the steel strike and the decline in automobile output. Barring a contraction of general industrial activity, 1957 zinc consumption should about equal that of 1956. For comparative purposes it might be mentioned that the average yearly consumption of the 15 peacetime years prior to World War II was 478,000 tons.

Thomas Bardon

In 1956 production of zinc from United States mines is estimated at 539,000 tons compared with 503,800 tons in 1955. Total U. S. production in 1956 from all sources, foreign as well as domestic ore, concentrates and scrap, is estimated at 1,052,000 tons and imports of slab zinc (zinc in metallic form) approached 186,000 tons, making a total 1956 supply of about 1,238,000 tons. The corresponding 1955 figure was 1,226,713 tons.

As the foregoing figures indicate, supply exceeds demand. The excess has been to a large extent purchased by U. S. Government stockpiling agencies, but notwithstanding such purchases, the surplus has had a depressing effect on the price of zinc. That price has advanced over pre-war levels to a lesser degree than the prices of copper and lead, the other principal non-ferrous metals.

The growth of zinc imports can be shown by citing the yearly average of the period between the two World Wars. That average was about 12,500 tons, compared with the average of the years 1953-1955 which was 684,716 tons. In the earlier period imports were 3% of domestic mine production and in 1953-1955 imports were 149% thereof.

The figures also show that while American industry is now using and probably will continue to use more zinc than American mines produce, the zinc produced abroad is in excess of what can be consumed abroad, and consequently foreign over-production will press upon the American market. This condition is confirmed by other than statistical evidence.

Of recent years large deposits of zinc ore have been found abroad, notably in Canada and South America. Many of them are being financed by American public and private funds. The U. S. governmental strategic stockpile purchases are nominally restricted to zinc of domestic origin but because of the difficulty of physically separating foreign and domestic zinc in the output of the principal U. S. sellers, the fixed price of stockpile purchases operates for the benefit of foreign zinc as much as for domestic zinc.

In addition to purchases for the strategic stockpile, the U. S. Department of Agriculture has been bartering, on secret terms and prices, surplus farm products for foreign zinc which when delivered here is put into the so-called supplemental stockpile.

As a result of these two stockpiling programs the U. S. Government has drifted into the position of supporting the world price of zinc and thereby encouraging the unnecessary expansion of foreign production.

BRUCE BAIRD

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

The general economy of the country proceeds at a very high level and we are indeed fortunate as a nation to enjoy a constant advance in the standard of living for all of our people. This is in sharp contrast with conditions that have brought about the present Middle East crisis which is a matter of the greatest concern to all, bearing so sharply, as it does, on world peace. Unfortunately such situations will inevitably arise from time to time until there can be developed for all peoples of the world a higher standard of living or, at least, minimum standards of existence, which will serve to reduce the pressures which want and need and desperation bottle up for eventual explosion.

Bruce Baird

Enjoyment of our way of life brings with it certain inescapable obligations. We would say that the most unavoidable of these is the necessity of supporting a strong government in its administrative functions, in its international responsibilities and its preparedness programs. We must all share in this and while there may be tax inequities and hardships, these must be cheerfully borne until a better plan is devised. Much can be done by banking institutions in helping their customers to provide suitable plans to deal with tax situations as they arise. Extensive use can and should be made of their lending facilities to meet peak or seasonal requirements. The availability of accommodations for loans for all purposes is still not too widely known or recognized. Also with the experienced staff of their trust departments much can be done in consultation with the customer and his counsel in the way of estate planning with particular reference to conveniently meeting the inheritance tax levy which must eventually be met either conveniently or inconveniently depending upon whether proper plans have or have not been made. We have often been told to investigate before we invest. We would be well advised to likewise let the banker be our guide in those fields in which he expends his skills and experience.

LESLIE O. BARNES

President, Allegheny Airlines, Inc.

Nineteen fifty-six was a year of significant growth and development for the local service airline industry. Allegheny Airlines believes this trend will continue through the coming year on the routes presently certificated and that local air services will be extended to many additional communities throughout the country during the months ahead.

Leslie O. Barnes

In 1957 the Civil Aeronautics Board has scheduled a series of regional proceedings to determine the requirements for an expanded local air service pattern. The fact that these proceedings are confined to applications for local services is in itself an indication of the growing importance of this segment of the air transport industry.

The large number of municipal and state agencies planning to participate in these area cases is further evidence of public need and acceptance of local air transportation. In view of this, it is believed that new air services authorized by the Civil Aeronautics Board in the next two to three years will be predominantly local in nature.

Another Civil Aeronautics Board proceeding of considerable importance to the local service airlines, which should be resolved in 1957, is the so-called Rate of Return Case, wherein it is expected a new policy on earnings will be developed.

While the coming year will be one of continued traffic development and expansion, it will be characterized by two major areas of emphasis:

(1) **New and Additional Equipment:** At the present, only three of the thirteen local service airlines are using postwar aircraft. They are Allegheny, Mohawk and Southwest. Although the DC-3 local airlines will continue to have a basic utility in shorter haul operations and smaller airports, the future requires larger and more economical equipment.

(2) **New and Additional Financing:** As might be expected of any other rapidly expanding industry, substantial additional capital will be required both for aircraft and the implementation of new services.

While 1957 will challenge the administrative resources of the local service operators, it should be remembered that the great untapped traffic potential in transportation lies in the short-haul market and that our national economy requires the integration of smaller communities with metropolitan markets and the nation as a whole.

CHARLES E. BEARD

President, Braniff International Airways

With much of the capital expenditures of the past 18 months resulting in increased production in 1957, the year promises to be one of increased competitive selling with the consequent benefits to buyers creating attractions which will move the new production into ultimate consumer use.

Chas. E. Beard

Simultaneously, labor contract negotiations and voluntarily-made company wage increases will put more dollars in buyers' pockets. The net effect on the nation's economy appears, therefore, to be a continuing upward trend although possibly at not so great an upward pace as the past few years. Barring the unforeseen, 1957 gives promise of a year at least equal to 1956, generally, with good posibilities of exceeding it.

These generalities will apply with equal force to air transportation. It will be effected both by deliveries of new aircraft, ordered one to two years ago, and by more effective operation of some of the newly created competitive routes awarded by the Civil Aeronautics Board during 1956. The airlines' capacity, as a whole, may be expected to exceed the increase in traffic but in the main enlarged operations will not require comparable increases in overhead expense. The net result should be a very slight lessening of unit costs tending to offset the effect of capacity increases which exceed traffic growth. Industry-wide traffic increases will probably be in the vicinity of 12 to 15%, and profits should not be less than in 1956.

This general picture is, as always with forecasts, subject to unforeseen and unpredictable events both nationally and world wide and their subsequent effect on our over-all national economy. In the main air transportation economy parallels general economic levels.

On this basis, we are conservatively optimistic for 1957's outlook.

BRUCE BERCKMANS

Chairman, International Breweries, Inc.

The brewing industry in 1957 faces increased competitive activity and increased costs of all materials, supplies and labor. This will result in a continuance of the mortality among Wholesalers and independently owned breweries. This trend has continued at an accelerating pace during recent years. It is the basic reason for the trend toward combination in our industry.

Bruce Berckmans

I believe the trend toward combination in the brewing industry is very similar to trends our economy has witnessed in many other industries. To mention a few,—automotive, chemicals, paper and household appliances.

Many distortions are taking place among members of the brewing industry, among its distributors and suppliers, and among the large number of individuals who serve the industry in various capacities. These, naturally and inevitably will react to each development according to their respective self-interests.

The factors underlying this movement are basic economic pressures. Among these are constantly rising costs of labor and materials, increased living costs, and an entirely unjustifiable method and rate of taxation. These result inevitably in increased competitive pressures for a larger share of the Consumer Disposable Dollar. Those units of the industry who can not meet this accelerated pace will combine or fall by the wayside.

The present trend will continue as long as the factors mentioned persist. The trend will accelerate or relax according to the degree of ease or pressure which individual operators regard as applicable to themselves at any given time. Our industry is not conspicuous for long-range planning by many of its members. It would be impossible to venture an opinion as to **how long** the present rate of combination would continue without first determining fairly accurately what the present rate of combination really is. Much exaggeration of this is due to the unwarranted and harmful gossip to which our industry is particularly susceptible and vulnerable. It would be more helpful to the industry as a whole, and to each producer, wholesaler, retailer, and supplier, if more attention were devoted to their respective operations than currently is being accorded each passing rumor.

The advantages and disadvantages of combination are too numerous to category in detail. On balance, however, it appears probable that the consuming public and therefore our industry will benefit. In final fact, all direct and affiliated members of our industry can benefit only to the extent that they benefit the American Consumer. Witness the telephone service we now all enjoy by comparison with that experienced 35 years ago when there were literally hundreds of small independent telephone companies.

However, to be specific to a limited extent, it may be said that some of the disadvantages of combination result from increased red-tape and a certain dogmatic lethargy inherent in bigness. On the other hand, there are substantial economies to be derived through combination. I doubt you will receive much detailed information on this score for, to be facetious,—"Does Macy's tell Gimbel's?" One single overhead factor is rather obvious,—to run five breweries in one combination you don't need five presidents.

As I think you know, International is the first, and so far the only concern formed and publicly financed in the brewing industry since Repeal. As such, I believe we have a mission to fulfill which can benefit many local and regional producers and a vast number of wholesalers. That mission is not to establish a brewery empire in the face of those already well entrenched. It is rather to provide a facility through which other operators can derive the results which our published reports have proved are possible through combination and which can not be achieved alone.

Regarding our own specific approach to combined operation, let me say that before we join a company, we consider primarily whether the company and the people who work for it would be better off in the International family. Secondly, would International, itself, be better off,—not just bigger,—for having joined the other company? In this case, unless two and two make five, nobody gains by the combination.

To make sure that both International and the local company gain by the combination, International wants every new member of the International family to realize that International will do its best to see that each brand retains its individuality and is developed primarily by the local organization, subject only to International's over-all policy direction.

We plan to do our best to hang on to all the operating benefits that go with small-sized companies, with the International staff acting as a management group to do those things where bigness is helpful and important. With a widespread operation there is little opportunity for the management staff to stand still. Most of us will continue to spend a lot of our time in airplanes. You

Continued on page 24

Guaranty Trust Officials Applaud Reserve's Policies

Chairman Cleveland and President Kleitz of Guaranty Trust see Federal Reserve's "steadfastness of purpose and . . . soundness of judgment" promoting greater lasting economic welfare. Perceive today's banking situation continuing so long as general business trend is up, and believe any necessary readjustment, should it occur, will be easier due to 1956's restraints.

In an Annual Report to Stockholders of Guaranty Trust Company of New York, Chairman J. Luther Cleveland and President William L. Kleitz indicate the

J. Luther Cleveland William L. Kleitz

past, current and expected factors affecting demand for bank credit. They point out "that banking developments in 1956 were generally of the character that is to be expected at a time of very active business. As trade volumes, inventories, and business expenditures for new plant and equipment rose to new heights, the demand for bank credit continued to expand.

"Instead of putting additional funds into the money market in an attempt to meet this mounting demand, the Federal Reserve System pursued a neutral policy, keeping the amount of Reserve bank credit approximately constant and thus causing member banks to reduce their security holdings in order to supply the needs of their customers. The increasing volume of loans and the higher interest rates tended to improve the earning position of the commercial banks, but this gain was offset to some extent by the fact that many banks were obliged to sell substantial holdings of securities in a relatively unfavorable market.

"Viewed from the broad economic standpoint, the Federal Reserve's refusal to intervene on the side of easy money seems to have been fully justified by the course of events. Production and employment continued at high levels throughout the year. At the same time, monetary policy may have been instrumental in checking the exuberance of the boom, at least to the extent of arresting the steady rise in wholesale prices that had developed in the closing weeks of 1955 and continued through the first few months of 1956. As a result, the economy has entered 1957 with a sounder dollar and a more favorable business outlook than would have existed if the normal tightening of the money market had been prevented and the boom permitted to develop without restraint."

Commends Federal Reserve

"By its firm stand in the face of criticism, the Federal Reserve has earned the appreciation of all adherents of currency stability. Tight money is always disliked by those unable or unwilling to recognize the essential functions that it performs under economic conditions such as existed in 1956, and the popular demand for perpetually easy money is especially difficult to withstand in election years. In 1956 our monetary authorities showed a steadfastness of purpose and a soundness of judgment that cannot fail to promote the lasting economic welfare of the American people.

"The course of events in banking during 1957 will depend mainly upon the general trend of business. With election uncertainties out of the way, the economy faces the new year with confidence, in so far as conditions at home are concerned. As long as general business continues at high levels, the banking situation will presumably remain essentially as it is now.

"Experience warns us, of course, that business booms do not last forever. No one can now say when the present one will end. We may be reasonably sure, however, that prosperity will continue longer, that the readjustment, when it comes, will be easier, and that the recovery will be quicker by reason of the restraint that was imposed during 1956."

Dennis Securities Corp.

HOBOKEN, N. J.—Dennis Securities Corporation has been formed with offices at 94 River Street to engage in a securities business. Officers are Alexander Dvoretsky, President, and Anne A. Egenes, Secretary-Treasurer. Mr. Dvoretsky was previously proprietor of Dennis & Company.

Stanley Domb Opens

Stanley L. Domb is engaging in a securities business from offices at 227 Fulton Street, N. Y. City.

Forms H. W. Schmidt Co.

DETROIT, Mich. — Harold W. Schmidt is engaging in a securities business from offices at 17310 Wyoming Avenue under the firm name of H. W. Schmidt & Co. He was previously with Ashton & Co.

With Berrien Secs.

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, Mich. — Aubrey B. Brady has been added to the staff of Berrien Securities, Inc., 219 East Main Street.

Continued from page 22

can't run a widespread organization from a swivel chair at any single headquarters.

In the next 10 years there will be a greatly decreased number of wholesalers and independently owned breweries. There will be increased concentration of beer marketing in supermarkets and chain stores. There will be increased home consumption of beer. The increased population attaining legal drinking age should increase overall consumption of beer, but only if present Federal and state excise tax pratices are revised. In the last analysis, as the world learned many generations ago,—"The Power to Tax is the Power to Destroy."

H. A. BENNING

President, The Amalgamated Sugar Company

World sugar production from the current crop has prospects of reaching an all-time high, some 1.7 million tons greater than last year's production. However, since world sugar stocks on Jan. 1 were well below those of a year ago and since 1957 sugar demand is firm, it appears that 1957 world sugar supplies and demand should be about in balance. Such a balance has not prevailed for several years.

In 1952 Cuba produced about 2,000,000 tons more sugar than there was a market for, creating a world sugar surplus which has overhung the market since. Since 1952 Cuba has curtailed her sugar production in an attempt to bring it in line with foreseeable demand. This, plus larger than expected recent sales in countries other than the United States, primarily Russia, and localized drought conditions in Cuba, appear to have about eliminated the price-depressing surplus of sugar in Cuba.

Because of the changed conditions in Cuba, the absence of any large resources of sugarcane elsewhere in the world, and the impetus given sugar demand by the tense international situation, the world price of sugar recently improved dramatically—rising from a level of 3.25 cents per pound in early November to 4.75 at the turn of the year. However, this price applies only to the so-called world market which is about 10% of world sugar production—sugar which has no home and is sold at widely fluctuating prices.

In most of the important sugar consuming nations of the world, including the United States, supplies are derived largely from "earmarked" sources. For example, a large proportion of the sugar consumed in the British Commonwealth is derived from various Empire sources. Similarly, many of the Western European countries are self-sufficient sugar producers. In the United States the supply, and to a lesser degree the price, of sugar is governed by national legislation known as the Sugar Act. Under the Sugar Act the Secretary of Agriculture in December of each year estimates the quantity of sugar which United States consumers will require the following year. This estimate may be changed upward or downward at any time during the year.

Of the estimate approximately 55% is supplied by domestic areas and 45% by foreign countries. The domestic areas are: the beet sugar producers, mainland cane sugar producers (Louisiana and Florida), Hawaii, Puerto Rico, and the Virgin Islands. The foreign countries which supply this market according to a formula in the law are: Cuba, the Philippines, Dominican Republic, Peru, Haiti, Mexico, and several other countries.

Barring an extremely remote possibility of a major crop failure, it now appears that sugar production in the areas supplying the United States market will be adequate to meet all prospective consumption requirements. A worsening of the international situation in 1957 might cause a considerable stock accumulation by large sugar users and widespread "hoarding" by housewives which could result in a tightness in the market.

Because of the tenseness of the international situation during November of 1956, the threat of a longshoremen's strike on the East Coast, and certain technical factors relating to administration of the law, sugar stocks in the United States are now larger than normal. Whether this relatively high level of stocks is maintained, decreased, or increased still further, depends largely upon the international situation.

We are going into 1957 with sugar prices somewhat higher than at the beginning of 1956. However, sugar prices have lagged far behind prices of most other commodities and with increased costs of production, the modest improvement which now appears possible in 1957 is long overdue. Should international tensions ease and the level of stocks be reduced, 1957 United States demand for sugar could well be substantially less than it was in 1956—with a consequent bearish effect upon sugar prices.

The Secretary of Agriculture has set the estimate for 1957 sugar needs at 8,800,000 tons which is 450,000 tons higher than the initial estimate for 1956. Should events prove all this sugar not be needed, reductions in the quantity made available will be necessary to prevent serious price declines.

B. E. BENSINGER

President, The Brunswick-Balke-Collender Company

Our business, which derives its growth and stability from the fields of recreation, education, and defense, should fare better during 1957 than it did during 1956, which in itself was an excellent year. The continued growth of population—more leisure time—a higher national income per capita — all support this optimistic view. The growth and health of our national economy would appear to warrant this position. Naturally a worsening of the international situation or some catastrophic economic upheaval within our own country could seriously alter this view.

B. E. Bensinger

The growth of the bowling industry, which has been largely stimulated by TV, the automatic pinsetter, and record levels of employment, continues in an upward trend.

The shortage of classrooms for the next several years can be alleviated only by the building of many more schools. The Federal Government plans to stimulate this activity, and our School Equipment and Gym Division anticipates receiving a larger portion of this business in 1957, as we have expanded our line.

Our Defense business will increase moderately during 1957 as our activities in this division are confined to the aircraft and guided missile fields in which our company specializes in two technical areas. One, the fabrication of metal honeycomb for airframe and guided missile components, and the other the specialized technique in the manufacture of fibreglass radomes, fin tips, etc.

Our International Division too looks forward to an increased volume in 1957.

From every indication, our industry should fare better in 1957 than it did in 1956.

JOHN D. BIGGERS

Chairman of the Board,

and

GEORGE P. MacNICHOL, JR.

President, Libbey-Owens-Ford Glass Company

The flat glass industry in 1956 had its second best year of sales and profits, and the year of its greatest plant expansion.

With indications of continuing large volume of construction, both residential and commercial, and the impetus of distinctive new models in the automotive industry, the outlook for glass in 1957 is favorable.

John D. Biggers

G. P. MacNichol, Jr.

Libbey-Owens-Ford Glass Company brought into production in 1956 the largest expansion of new plate glass facilities ever made in the industry. To provide better service to customers, LOF has invested in less than 16 months more than $54,000,000 in new plants without borrowing or any corporate financing.

Shipments of glass have continued in good volume except in the third quarter when the automobile model change-over period and the steel strike combined to affect general business. Our fourth quarter business was at a high level and we look for the current volume to continue well into 1957, possibly throughout the whole year.

Libbey-Owens-Ford sales for 1956 will probably be about 7.5% under the peak year of 1955 but 24% above the average of the last five years. Employment conditions in the industry are well stabilized, shipping schedules have been speeded, and emphasis is now being put on product development and creative selling.

LOF's high-quality Parallel-O-Plate, the only twin-ground plate glass made in America, has won enthusiastic acceptance in the mirror trade and for storefront glazing.

Among the few unfavorable factors confronting the American window glass industry are heavy imports of foreign glass stimulated by continued reductions in U. S. tariff rates coupled with low wages in European and Asiatic countries. This influx has caused the shutdown of four domestic window glass furnaces and reduced operations of at least two other plants.

Rising costs of raw materials, transportation, and labor are also faced by the glass manufacturers. Higher money rates have affected the volume of housing and may affect other construction, if they persist.

Otherwise, domestic economic and political conditions appear to be favorable.

Libbey-Owens-Ford put into operation in 1956 two new continuous plate glass furnaces, a fourth grinding and polishing line, additional bending, laminating and warehousing facilities at its East Toledo plant, completed a new grinding and polishing plant at Ottawa, Ill., and is improving its big twin-grinding plants at Rossford, Ohio.

H. G. BIXBY

President, Ex-Cell-O Corporation

There are several factors that point to continued good business in 1957. Capital expenditures remain high, the Government's huge road building program will be well under way, defense spending continues to be a necessity, and the population growth simply means more people wanting more products.

H. Glenn Bixby

Ex-Cell-O's business encompasses a rather broad range of products and services. Throughout the years Ex-Cell-O has followed a plan for diversification in order to smooth out the normal variations in business. This program is proving successful, and with our present diversity of products in mind, I would estimate that our business in 1957 will show an increase of at least 10% over 1956. This estimate is based on the apparent activity in the fields we serve.

We expect continuing growth in the aircraft parts and assembly area of our business. This is a field where changes come quickly, production requirements are high, and specifications and tolerances are tight. It's a type of work we are well prepared to produce, having excellent plant facilities and skilled personnel. This share of the business should show an increase in 1957.

Ex-Cell-O is the largest single producer of machines to package dairy products in disposable paperboard containers. Milk in cartons has attained complete acceptance in the retail markets of our country, and we are now making good progress in our efforts to have cartons used for home delivery also. So our growth in this field depends on two factors: selling the use of cartons for home delivery and population growth. The first factor we are achieving quite successfully; the second factor seems to be taking care of itself. Again, our share in the dairy machine business should grow in 1957.

Big changes and new programs in the automotive industry made the machine tool business exceptionally good in 1956. Although we now have a substantial backlog of machine tool orders, it is being reduced. It's going to take aggressive selling in 1957 to approach our 1956 volume. This is one area in which the trend may be down moderately.

Expendable tools and other items are staple products of industry. At Ex-Cell-O these include standard and special cutting tools and broaches, railroad pins and bushings and drill jig bushings, all items that wear out or are used up in normal use. The very definition of these products means that they have to be replaced, so regardless of business in general, the metalworking industries have to keep buying cutting tools and drill jig bushings. Also, pins and bushings used in railroad locomotives and cars, continue to wear out and need replacement. So here we have a stable line of items in which 1957 should equal or exceed 1956.

In summary, aircraft volume should be up; milk packaging machine business should increase; machine tools may show a moderate decline; expendable tools and parts should hold steady. In 1956 many things contributed to a business volume at Ex-Cell-O that exceeded 1955 by 60%. We estimate that our total business in 1957 will increase at least 10%.

ESKIL I. BJORK

President, The Peoples Gas Light & Coke Co.

Today the demand for natural gas is at an all-time high and prospects are excellent for the continuance in 1957 of a heavy sendout throughout the country, as well as in the greater Chicago market area. A look at the record shows that the use of natural gas in the year 1955 was 323% of the 1941 consumption. This growth pattern has continued through 1956 and indications point to further great development of the gas industry in 1957. The continuing expansion of facilities for transporting natural gas to markets is evidence of this.

Eskil I. Bjork

Present forecasts of population growth indicate that our population will be about 176,000,000 by 1960, with a consequent increase in the number of families to be served by gas utilities.

Forecasts of business activity during 1957 also appear to be optimistic —at least as good as 1956—which foreshadows a continuation of growth in the industrial and commercial markets.

It is becoming more and more apparent that the gas industry's market development in the years ahead may be somewhat slowed down by the delivery schedules on large diameter steel pipe.

For Chicago, the current estimate of gas sales, in therms, for 1957 indicates an increase of approximately 9%, with about a 5% increase in revenues.

Peoples Gas will continue to carry on vigorous promotional efforts to maintain its cooking load and to improve its other residential loads through the promotion of sales of refrigerators, clothes dryers, automatic water heaters and other domestic appliances.

Expansion of the industrial and commercial markets, including air conditioning, will also be our objective.

Gas supply, rather than the market for gas, continues to be the focal point. Now pending before the Federal Power Commission, and on which hearings begin in January, 1957, is an $80,000,000 expansion program of Natural Gas Pipeline Company of America, a subsidiary, involving an increase of about 485 million cubic feet per day in its pipeline delivery capacity. The completion of that program, probably in the fall of 1958, will permit Peoples Gas to then offer gas for space heating to many additional thousands of Chicago customers now on its waiting list.

Of significant importance in the long term gas supply situation of the Peoples Gas pipeline subsidiaries was the recent approval by the Federal Power Commission of the application of Natural Gas Pipeline Company to extend its transmission system into Jack and Wise Counties, Texas, an area with a rich potential in terms of future gas supplies.

During 1957 Natural Gas Pipeline Company will build a 350-mile pipeline into this area at a cost of approximately $36 million. The line will transverse other uncommitted gas fields.

Another move in the accelerated search for new gas supplies is the anticipated purchase of up to $10 million in additional common stock in Peoples Production Company. This Peoples Gas subsidiary is a member of a group of four companies presently engaged in exploration for natural gas and oil in offshore waters in the Gulf of Mexico. In 1956 the group made a significant oil and gas discovery 43 miles offshore from the coast of Louisiana.

Long strides forward have been made by the Peoples Gas system since the end of World Was II in increasing the quantities of natural gas available in the Chicago area for market development. These efforts will continue.

S. BRUCE BLACK

Chairman of the Board, Liberty Mutual Insurance Co.

Nineteen fifty-six premiums written by Mutual Casualty Insurance Companies in the United States increased about 6.5% to total approximately $1.7 billion, as compared with last year's figure of slightly less than $1.6 billion. Nineteen fifty-six premiums written by Mutual Fire Insurance Companies in the United States increased about 7.2% to total $800 million as against last year's $746 million. This marks the eighteenth consecutive year in which new all-time high marks for premiums written have been established both by Mutual Property Insurance Companies and by Mutual Casualty Insurance Companies.

S. Bruce Black

The break-down of these figures, which were compiled by the American Mutual Alliance, shows that Workmen's Compensation premium volume written by Mutual Companies increased about 5% in 1956 over 1955. Automobile premiums were up about 7% and Accident and Health writings were up approximately 15%. A major factor in the Fire insurance field has been the shifting of much Residence Fire, Casualty and Personal Property Floater coverage into the Homeowners' and other new types of multiple-lines policies.

During 1956, the loss ratios on Fire, Automobile and Workmen's Compensation insurance all moved upwards. In Fire insurance, the reasonably good loss experience of recent years led to premium rate reductions that have taken place just about at a time when the loss cycle has started to become adverse. Fortunately, 1956 was blessed by an absence of the disastrous windstorms that raised havoc with the Extended Coverage experience in many of the years just passed.

In Automobile insuance, 1956 witnessed a sharp increase in accident frequency rates and there was a continuing rise in average claims costs. The general inflationary situation, with its impact upon medical and hospital costs, construction costs, automobile repair costs, and public thinking as to what constitutes "adequate" payment in liability cases affects the loss ratios on all the lines of Property and Casualty insurance. The impact of higher price levels also is largely responsible for the increased expense ratios that will be reported for 1956 as compared with 1955. Increased expenses occurred in spite of strenuous efforts by the companies in the direction of work simplification.

We believe 1957 will be a year of continuing progress for Mutual Property and Casualty insurance. The problem of adjusting premium rates to better balance with incurred losses is one that must be faced. The spiral of inflation will continue to be a severe threat to the economy, but we are hopeful that the monetary authorities will continue to apply restraints which will have a moderating effect. There are challenging new problems that have to be met in the areas of insurance for atomic energy hazards and flood damage. Nineteen fifty-seven will also be a year in which the legislatures of many states will consider improvements in their automobile financial responsibility laws. There is also the great need for them to seek improved traffic controls and enforcement activities in an effort to cut the horrible toll of street and highway accidents. Never was there a time when the insurance industry has had a better opportunity for constructive leadership to help solve many pressing human problems than the present.

THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

Karl Marx predicted that the private enterprise economy will devour itself. Later disciples said it would spend itself into bankruptcy. Had Marx or his disciples been able to anticipate the vital totals of the American economy for 1956, they would have been very sure they were correct. And 1957 prospects would have added proof.

Thomas C. Boushall

The hot and cold wars that private enterprise economies are waging against Marxianism have perhaps served more than any single recent facet of our development to stimulate the expansion of our productive capacity to meet the needs for what must now be called "atomic weapons" instead of just "guns" and all the equipage of a modern free dynamic people which must be meant instead of just the use of the word "butter."

And so what of 1957 in the continuing conflict that engages more of our attention as a people than any other single phase of our national life?

So far our national debt hasn't grown greater in the past two years of repeating crises. So far our corporate and personal debts are still in line with rising wealth and income. So far we are a long distance away from death of our system or its bankruptcy.

Our industrial leaders are reported to be planning to spend $40,000,000,000 on expanded productive machinery in 1957.

This step would seem to guarantee full employment by reason of pumping this amount of money into capital, and hence nonconsumptive goods. It augurs a rise in consumptive powers well on into 1958.

Perhaps we here in America, particularly those who are not immediately concerned with international economies and their underlying needs, are not fully aware of the burden, strain, and responsibility to which we have become heir as the leader of the free world. Few, doubtless, have envisaged the opportunity that success as such a leader can afford our domestic economy.

Once we conquer in the world-wide battle for the minds of men, and vast populations of underprivileged people turn to our concepts for their own fulfillment, the demand upon us for capital and consumption goods, credit and technology, is beyond normal estimate.

Nineteen fifty-seven can be a decisive year, not in final conquest but in being able to observe a breaking-up of the Soviet socialist idea of a godless master state and the emergence of a rainbow of promise for all nationalities, large and small, to become self-expressive under their own choices.

The emphasis here is on this potential because any other detailed phase of our economy—in fact, it may safely be stated, every other phase of our economy and its acceleration, expansion, stability, and reward—revolves around the central theme of this world contest that seems to be reaching something of a preliminary if not final climax.

Continued on page 26

Continued from page 25

ANDERSON BORTHWICK

President, The First National Trust and Savings Bank of San Diego, Calif.

The outlook for banking in 1957 is necessarily predicated on future developments in our national economy as well as international relations. Barring significant changes in the struggle for world peace, my present thinking is that the coming year will likely see certain significant developments in the banking field.

Anderson Borthwick

General business activity in the year just completed has leveled out at an historically high rate, as the record volume of consumer spending was matched by a record production of goods and services. And the hard fact is that business continues good into early 1957, with as yet little indication of any slackening of those major economic components that have provided the impetus to the growth of national product and income since mid-1954. At least for the immediate future, then, a continuation of the high rate of economic activity appears likely. Such further expansion, however, seems to necessarily face limitations as to extent, and uncertainties as to duration. As we enter the new year, we are initially faced with the problem of an economy which has expanded broadly and is now operating at or near present capacity in most lines of production. The sheer limitations of manpower, materials and credit seem to place a ceiling on the rate of immediate growth, except if it be merely in terms of higher prices and not in physical volume.

Furthermore, those economic indicators which historically have foretold turning points in the business cycle now indicate—not as yet a high probability—but at least rising prospects of a business downturn sometime in 1957.

Apart from reliance on these indicators, my appraisal of the major sectors of the economy indicates that, beyond the near term, various uncertainties have developed in the business picture which must command close scrutiny once the present stimulating factors have spent themselves. Except for prospects for a higher level of government spending for goods and services, there are few components of national product and income which give promise of further significant expansion during 1957.

True, an expanding population, record employment, and rising wage rates indicate that there will be a continuing high level of retail trade. However, it does not seem likely that the rapid increase in consumer debt can continue unabated and, to the extent it does not, personal consumption expenditures will tend to level off. Durable goods expenditures have, in fact, shown a substantial decrease since mid-1955. A continuation of this trend, and some decline in spending for nondurables, may largely offset the apparently insatiable demand for services. Overall, the public for the most part is adequately stocked with goods and, with resistance to rising prices, many consumers may temporarily reduce their spending (as we saw in 1951).

However, the major uncertainty as I see it concerns the outlook for gross private domestic investment. While this component has been one of the truly dynamic growth factors in our economy, it has also proven one of the most volatile in periods of business downturn as well as expansion. After a long and great advance such as we have experienced over the last 2½ years, a decline in investment spending would not be surprising, particularly in the environment of prolonged credit stringency, sharply rising costs, and narrowing profit margins. For this reason, a moderation in business capital expenditures—a most important mainstay in 1956—may be in prospect. Trends in durable goods new orders also point to the probability of at least a modest decline in producers' durable equipment expenditures. Eventually also the important construction industry—which alone represents nearly 15% of national product—seems likely to feel these effects. Although I look for a continuing high level of public works expenditures, residential building (which has already declined 11% from its 3rd quarter 1955 high) and nonresidential building may move into lower levels of production.

Finally, we face the recurring problem of the inventory replenishment cycle and the danger of excessive stocks, as inventory accumulation continues at a record level. While the stocks-sales ratio does not now appear immoderate, continued inventory investment at a high rate appears likely for some months ahead, as business increases stocks against the threat of higher prices and further international unsettlement. A subsequent correction period of inventory disinvestment may prove critical to a business downturn, particularly if consumer expenditures tend to moderate or decline and markets prove to be overestimated.

In summary, then, it appears that the economy can not move substantially higher (at least in terms of constant dollars): but rather that interim moderate growth into 1957 will be followed by a leveling out process which, because of various business uncertainties, could culminate in a moderate economic downturn. At the same time, I believe there are too many fundamental factors of basic strength in our dynamic economy for an adjustment period to prove more than of moderate proportions.

In this projected business environment, the logical concomitants in the banking field would be a reversal in the large demand for credit that has characterized the last two years. This change in the supply-demand equation, coupled with an about-face in Federal monetary management, would result in easier credit conditions, a lower cost of money, and higher bond prices. A transformation in earnings assets would include declining loans offset by rising investment portfolios. Federal Reserve authorities would permit an expanding money supply, and deposits might increase modestly if the business downturn were only of small proportions. The velocity of money turnover would likely decline.

I view these possible developments entirely of an interim nature, however, and merely as a temporary reversal of a more basic longer-term trend. Naturally, it is entirely possible that the present uncertainties in the economic outlook may correct themselves, or (more likely) that higher prices from existing inflationary pressures will offset any modest decline in the physical volume of output. In either of these events, we would likely see a continuation in credit demand, tight money conditions, and little increase in money supply or bank deposits.

JAMES R. BRADBURN

Vice-President, Burroughs Corporation

From every indication, the market demand for electronic computers will continue to advance during 1957 at a rate considerably greater than the industry can supply. Established companies in this field quite likely will be able to sell all of the equipment they can manufacture at full operating capacity. Many firms will press expansion plans during the year, both to capitalize on the dynamic current situation and to ready themselves for an expected billion-dollar market by 1960. As an example, the ElectroData Division of Burroughs will triple manufacturing facilities in 1957—while simultaneously more than doubling sales, shipments and production. Most of the logical users of computers are by now thoroughly persuaded that electronic data processing is the eventual, if not immediate answer to their paperwork problems. Our industry can supply only a fraction of the demand at present. Consequently, all of the established manufacturers should achieve record sales volumes in 1957.

J. R. Bradburn

WILLIAM T. BRADY

President, Corn Products Refining Company

Barring a major world upheaval (which appears less likely everyday), the outlook for the corn refining industry in 1957 appears quite optimistic.

The food industry in general should continue to show steady and continuous progress. Traditionally the food industry reflects prosperity but resists depression. It is thus the stablest of all industries.

William T. Brady

As for Corn Products Refining Company, prospects for 1957 appear particularly bright. For one thing, the major industries we supply—paper, foundries, chemical and drugs, brewing, textiles, baking, and many others—all show great potential sales for the coming year.

Another reason for our optimism is the fact that our basic raw material — corn — will certainly be in adequate supply. This past year, 1956, saw the second largest corn crop harvested in the country's history despite considerable bad weather in certain areas.

Still another major reason for our bullish attitude toward 1957 is the increasing progress of our new policy of accelerated diversification. Not only is this expanding diversification at Corn Products being pushed through extensive company research and development, but the company is also going outside to acquire and integrate attractive products and processes wherever the opportunities arise. The pattern for this diversification will continue to be a "natural" one—that is, it will develop as a broadening of the company's markets within the realm of its own past production and marketing abilities and experience.

The acquisitions we have made in the consumer field in the last year or so—Bosco Chocolate milk amplifier, NuSoft fabric softener rinse, and Kasco dog food—have made considerable sales progress already. During 1957, Corn Products expects very substantial increases in sales volume for these products now that they are fully integrated into our sales and merchandising organization.

None of these new consumer product acquisitions, incidentally, are derived from corn. This is in keeping with Corn Products' recent policy of developing or acquiring products that will broaden the base of its raw materials.

This plan is being carried forward in Corn Products' industrial product line as well. In Corpus Christi, Texas, the site of the newest of our four domestic manufacturing plants, we grind no corn but a variety of sorghum known as milo maize. Though this grain differs considerably in size and color from corn, it contains the same proportion of starch, and the other constituents—protein and oil—vary only slightly.

Corn Products' most recent advance in the use of milo as a base for manufactured food products is the production of the first spray-dried instant starch on the market. This product, known as Snow Flake Instant, is not only capable of dissolving instantly in water, but i is the most nearly colorless, odorless, and tasteless in dustrial cereal food starch manufactured today.

This new product is just beginning to come into it own. Its smoothness and body make it ideal for many varied food preparations, and this coming year is sure to see it introduced into an ever-increasing variety o frozen desserts, salad dressings, soup and gravy powders sauce basis, instant puddings, and many confectionery products.

The foreign operations of Corn Products should als show increasingly favorable results this coming year Corn Products Refining Company is the only America corn refining company with an extensive foreign opera tion. We operate throughout Latin America, the Nea East, and in all European countries outside the Iro Curtain.

During the past year our production rates abroad hav been spiraling upward, and there's no reason why thi steady trend should not be maintained, especially wit the addition of Corn Products' newly expanded an modernized plant at Manchester, England. In 1957, Cor Products' foreign operations should expand at leas as rapidly as the anticipated domestic rise.

All in all, 1957 looks like it will be a fine year fo the American corn refining industry, and an especiall fine year for the Corn Products Refining Company a over the world.

CARL D. BROREIN

President and General Manager, Peninsular Telephone Company

Most contributors to this issue will point out tha forecasts are good only so long as there are no radica changes in the international situation, so we will n add further to that statement.

The Southeastern States of the nation have made spectacular growth during these postwar years; and of all these states none has been more outstanding than Florida. All indications are that this will continue for some time.

Carl D. Brorein

Obviously, the present tight money market may have a deterring effect on some expansion plans. Many businesses are moving ahead despite this, but also many sound state and municipal bond issues are being held up because of a reluctance to pay 4% or more for money. We would say, however, that in Florida the need for schools, highways, water supplies, sewage disposal and the like are being met as well as in any rapidly growing stat

Many large plants for light industry have been estab lished recently in Florida, materially adding to its eco nomic structure. Whether this trend may be delayed o interrupted by the tight money situation remains to b seen.

In the utility business, there can be no indefinit postponement of expansion simply because financin conditions may not be at their best. When an activ demand for service is present, it must be met. It inevitable that we will need a good many millions o dollars to meet the challenge of growth on the Centr West Coast of Florida. In our particular case, since 194 new capital to the extent of $69 million has been re quired.

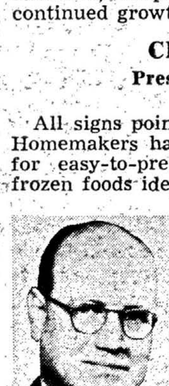
Because of replacement of plant that was necessar with growth, more than 90% of our equipment is les than 10 years old. Twenty-four new buildings have bee completed during the past four years. Peninsular tele phones have increased by about 240% during the pa decade. Telephone growth for the state as a whole ha been almost identical.

The purpose of this capsule review of the past because we believe it helps chart where we are heade With decentralization of industry, the rapid growth i population, and the growing movement of families t suburbia, telephone companies in general can expe continued growth during the coming year.

CHARLES S. BRIDGES

President and General Manager, Libby, McNeill & Libby

All signs points to a big year for convenience food Homemakers have shown an overwhelming preferenc for easy-to-prepare, time-saving foods. Canned an frozen foods ideally fit these requirements, and packe are helping to accelerate their con sumption by sending to market mo new and taste-tempting product Consumption of canned and froze foods in 1957 is likely to exceed 19 expenditures of $5 billion — one eighth of the nation's $40 billio food bill.



C. S. Bridges

There have been a number of sta bilizing influences at work in th industry, and this trend, I am sur will continue. While there are a ways some uncertainties, no sing development is likely to cause an startling or long-term change in th steady growth and progress of th industry as a whole.

In our own case, many steadyin influences are at hand. We have stabilized our opera tions through greater diversification and improved pro duction methods. The pattern of our business is chang ing. Years ago our production was, by and large, on a seasonal basis; now we pack the year round. Formerly a few products were packed within a limited period; today our plants pack a wide variety of items over a greater span of time. We now have fewer but larger plants than we did 10 years ago, but production in these plants has more than doubled.

The future of nationally-advertised brands is bright. Barring unforeseen circumstances, these products can be counted on to more than hold their own. With practically all groups of our population enjoying good incomes, with employment at high level, these brands will become even more firmly established in consumers' buying habits. A recent study shows that in 1956 nationally-advertised canned pineapple accounted for 70% of the market. Other nationally-advertised canned products accounted for these percentages of total sales: fruit cocktail, 65%; tomato juice, 53%; peaches, 51%; corn, 45%; pears, 45%; and peas, 43%.

Record crops during the past growing season have produced record packs in several products. The consumer will reap substantial benefits from this. Canned and frozen fruits, vegetables and juices remain among the very best buys in the food store and will continue to be in 1957.

There is a continuing tendency toward increased wage costs beyond those warranted by increased productivity. These increases in the face of record packs on some items and increased costs of supplies tend to narrow profit margins. Further economies all along the line and increased operating efficiency are helping to offset narrow margins, but only partially.

Corporate expenditures for new and expanded facilities should be at least as great as in previous years. Increasing consumption justifies such expenditures. Also, there seems to be no slackening of the nation's appetite for convenience foods. There is good reason to believe that the production and consumption of them are still far below their ultimate potential. The industry has contributed greatly to America's well-being and has been responsive to the nation's needs and desires for better foods and more of them.

WARREN W. BROWN

President, Monon Railroad

The outlook for the American railroad industry continues to appear fundamentally discouraging.

In the year just ended railroad operating revenues are estimated at slightly over $10 billion. Net income is expected to reach $875,000,000, a decline of roughly 6% under 1955.

Warren W. Brown

I would estimate at this time that gross revenues of the railroad industry for this present year may reach $11 billion, a 4% increase over 1956. By the same token, I think that the industry will find itself fortunate (barring further rate and fare increases) to realize the comparable amount of net income earned in 1956.

During the past two years there has been considerable discussion about the changes proposed in the so-called Weeks Report prepared under the supervision of the Secretary of Commerce. Essentially these proposed changes would act to give the railroads more competitive freedom, at the same time restrict the abuses which we know exist among unregulated carriers. It is doubtful that the legislation emanating from this report will be considered by Congress much before the end of the year.

I hold out little hope for any favorable Congressional action. The legislation is firmly opposed by the Interstate Commerce Commission, the trucking industry, and the waterway operators. The railroad industry has done little to combat this opposition and to create an area of public receptiveness for the changes. Although a public relations and general educational program can still be inaugurated, it appears that the opportunity has been lost and there is virtually no possibility of any favorable action during 1957.

It is also my opinion that the railroad industry's attempt to bring about removal of the excise taxes on transportation may be partially successful through a reduction in the existing tax rates on both freight and passenger transportation.

Developments in the field of railway labor-management relations should deal not with increased rates, but with added fringe benefits. It is doubtful that there will be any agitation from railway labor for a guaranteed annual wage or for the ridiculous four-day week during 1957, but I am of the belief that some time during the last quarter of 1957 or early in 1958 railway labor in concert will propose that the industry inaugurate a supplemental annuity plan for all railway employees.

I doubt that the Interstate Commerce Commission will grant any further increases under the freight and passenger proposals that are pending. If anything, a token increase may be granted and here probably only on freight rates, and hardly until June.

A most disturbing element in our transportation picture continues to be the ridiculous and ambiguous activities of the Interstate Commerce Commission. Under its present mandate from Congress it is charged with providing for fair and impartial regulation of all modes of common carrier transportation subject to its jurisdiction. The mandate further states that the regulation will be administered by the Interstate Commerce Commission in order that the inherent advantages of each form of transportation shall be protected.

Thus far the Interstate Commerce Commission concentrates upon protecting one regulated common carrier from another regulated common carrier, while sitting on its thumbs and ignoring the unchecked ravages of the unregulated carriers which are slowly but steadily strangling the common carrier transportation industry.

EDWARD G. BUDD, JR.

President, The Budd Company

Budd Company earnings of $7,604,336, or $1.64 per common share, on sales of $231,933,210 during the first three quarters of 1956 will be improved somewhat during the fourth quarter.

Edward G. Budd, Jr.

Production in the automotive division has been increasing during recent weeks as the rate of delivery of new models has risen. Our customers are enjoying growing sales primarily because of the complete restyling of so many of their new models. They are unanimous in predicting that rising sales will continue well into the coming year.

Production during the early part of 1956 began at a high rate, but was soon adversely affected by the large number of automobiles carried over from the previous year. Current stocks are considerably lower than they have been at this time in previous years. On Jan. 1, 1956 dealers' stocks totaled 800,000 units. It is estimated that this figure will be between 425,000 and 450,000 at the end of 1956. This presages continuing high production.

Our tool building facilities which we have improved further this year, have been operating at full capacity, and are expected to continue at a high rate. This activity has continued to grow in volume, and in its importance in our relationship with our automotive customers. In fact, the growth of this work has been so rapid that operating costs have been somewhat higher than we consider normal. However, considerable progress has been made in bringing these costs to a more profitable level.

From the standpoint of new innovations, 1956 has been the most active year in the history of our railway division. With the production of six major new developments, we are now able to offer proven solutions to many of the problems of railway passenger transportation.

To enumerate these developments we have delivered during the year: "The Keystone," a tubular-type train, featuring light weight and low center of gravity at medium cost which was built for the Pennsylvania Railroad, and is now making two round trips daily between New York and Washington. The five "Hi-Level El Capitans" for luxurious cruise type coach service which were inaugurated last summer by the Santa Fe and have been operating almost at full capacity daily between Los Angeles and Chicago. Two "train concept" adaptations of the Rail Diesel Car (RDC)—the "Daylight Speedliners" for the Baltimore and Ohio and the "Flying Cloud" for the New Haven. Two completely new "Denver Zephyrs" for the Burlington featuring the "Slumbercoach" which provides private rooms with window seats by day and full-length beds at night for 40 passengers at coach fare plus a modest occupancy charge. And the "Pioneer III," the lightest, most economical and best riding of the ultra-lightweight equipment shown by the various builders this year.

Interest on the part of our railroad customers in the purchase of new equipment is more intense right now than it has been in years, and it is reasonable to expect that important orders will be placed during 1957. With the wide variety of tools for the solution of passenger problems which we have developed, we feel confident that we have a distinct advantage over our competitors in this field.

It is encouraging that our two main lines of endeavor, the production of automobile body components, wheels, drums, brakes and chassis frames; and of railway passenger cars and disc brakes, are continuing at a satisfactory rate, but to me, the most significant development during the year has been the continuing progress in our diversification program.

This program has been developing slowly but steadily with no intention of growth for the sake of growth alone. Our long range plans are directed at increasing the company's income and broadening the base of its activities. We will not buy sales volume as such, but will seek out such diversification as we can finance and manage.

The major step in this program was the acquisition of the Continental Diamond Fibre Division which has been highly successful. Sales volume has been increased by approximately 20% since we assumed control and profits have made a substantial contribution to our over-all earnings.

Further growth of our activities in the nuclear field was accomplished by the establishment of the Nuclear Systems Division, which is the first commercial facility in the country able to fabricate radioisotopic sources in strengths up to 10,000 curies. As well as an established line of Gamma radiography equipment, Nuclear Systems is now able to offer extremely strong sources for research studies on the effects of penetrating radiation on a wide variety of raw materials, products and processes. With complete facilities for handling and storing radioisotopes, we are prepared to function as a warehousing operation and deliver from storage the radioisotopes in the strengths required. A large number of industries, including food processing, rubber, chemical, petroleum, brewing, pharmaceutical and antibiotic, are potential customers.

A new wholly-owned subsidiary, the Tatnall Measuring Systems Company, was recently created. Under the direction of Francis G. Tatnall, as Vice-President and General Manager, this company will develop new systems that will automatically combine the three functions of detecting, recording and correcting—the elements of measuring for a broad variety of uses.

Our activities in the sale of the defense material should also be considered as a part of our diversification program. We have greatly expanded our production facilities for the manufacture of jet engine components, and are now delivering about $1,000,000 worth of finished products monthly. We expect to improve this figure considerably during the coming year.

Further diversification, in a different direction, in

Continued on page 28

Continued from page 27

the aircraft field is contemplated. With the approach of the supersonic age in flight, it has become increasingly evident that materials and production methods currently used are reaching critical limitations. The extremely high temperatures to which aircraft will be subjected makes it necessary to develop structures than can withstand such heat. In this respect, we believe that stainless steel, among other alloys, has a logical place in planning. Our knowledge and experience, covering a 25-year period, in the fabrication of stainless steel has great potential value in the construction of these planes, and we are making it available to the industry.

Progress has also been achieved in our foreign operations. To our list of 19 licensees in the automotive and railway passenger car fields in Europe and Australia we added two important rail car builders during the year. In Canada, where the market for our stainless steel passenger cars has been excellent in recent years, Canadian Car and Foundry Company, Ltd. will use our engineering and production methods to supply the market. In Brazil, where an order for 90 passenger cars from the Santos-Jundiai Railroad of Sao Paulo has been received, we have signed a licensing agreement with Material Ferroviario S/A "Mafersa." Thirty-four of these cars will be built here, and as "Mafersa" car building facilities are completed, the 56 remaining cars which will be partially built here will be finished in Brazil.

E. F. BULLARD

President, Stanolind Oil and Gas Company

In most respects, 1957 should be a good year for the petroleum industry. Domestic demand for products should increase nearly 6% over 1956, and domestic production should rise slightly more than 6% as compared with the previous year. Drilling should also be up slightly, with something like 59,000 wells forecast for the coming 12 months.

E. F. Bullard

This is indeed an optimistic picture for an industry that has enjoyed remarkable growth over the past decade. But in spite of these glowing predictions, the year 1957 may well prove to be one of the industry's most difficult, from the standpoint of anticipated actions by the first session of the 85th Congress, and to a degree, by several of the state legislatures.

A brief glance at some of the topics almost certain to be considered by Congress illustrates the point: Percentage depletion, natural gas, pre-merger notification, oil imports, and the measure to eliminate "good faith in meeting competition" as a defense against charges of price discrimination. All of these have serious import for the oil and gas industry, and several vitally affect other businesses as well.

Probably most important of these issues, insofar as oil and gas are concerned, is the need for corrective legislation to solve the difficult problem posed by Federal regulation of independent producers of natural gas. It will be recalled that a split decision of the U. S. Supreme Court first placed independent producers under the regulatory authority of the Federal Power Commission in June of 1954, despite specific language to the contrary in the pertinent Natural Gas Act of 1938.

Since the Court's decision, efforts to regulate independent producers as though they were public utilities, including attempts to fix their prices under a standard utility rate-base cost-of-service formula, have created chaotic conditions both for the independent producers and the Federal Power Commission.

Interminable delays have hampered development of new gas reserves, and have deferred completion of sales contract negotiations. Prolonged hearings have proved costly. Perhaps most importantly, the Commission's continuing efforts to expand the scope of its authority have been backed by the Courts almost without exception.

This is a situation that can lead only to complete Federal domination and control of the entire oil and gas industry if it is not checked. One need only look at the oil and gas experience of the Russians, the Mexicans and the Iranians to appreciate the deterrent effect of governmental control of such a hazardous enterprise.

Government control will take another step forward if legislation is passed restricting imports of foreign crude and products. Temporarily, the Middle East situation has eased the problems of imports, but there may be heavy pressures for legislation despite this temporary condition. It is true that unlimited and continually increasing imports place a heavy burden on domestic producers by causing them to carry a far greater measure of surplus capacity than is warranted by the national security. Further, domestic exploration is discouraged, and our first line of defense, our own reserves of oil on this continent, may be jeopardized. Nonetheless, it is a situation that should be worked out by the individual importing companies, without any necessity for government legislative action.

The pre-merger notification bill, which would require advance notice to the Department of Justice and the Federal Trade Commission if a proposed merger involved total assets of more than $10 million, would work an especial hardship on oil and gas companies. In view of the tremendous capital requirements in this industry, a $10 million investment is easily built up. Any firm with assets of that magnitude could not acquire even the smallest of properties without first obtaining government approval. This obviously places an effective roadblock in the way of the flexibility of operations that are necessary to the continuing success of oil and gas exploration and production.

These are but a few of the legislative problems with which we will probably be confronted in 1957, thus stamping this year as a more significant one from the standpoint of legislation than from that of operations. Closer government control of this industry will place upon it a stranglehold that can only result in its being less able to continue successfully its primary job of finding and producing the oil and gas vital to this nation's civilian economy and military security. That is a consideration which every thinking citizen should take into account.

JOHN J. BURKE

Chairman, Metals Bank & Trust Co., Butte, Mont.

It appears that the general outlook for Montana is good, despite some soft spots. The Eastern part of the state has been very dry, and it was necessary to ship cattle out of that area very early last year. This could mean a restocking program. In the Western part of the state business has been very good, and in the state generally considerable construction has been going on. The need for increase power is recognized by private companies, and The Montana Power Company and Washington Water Power Company are proceeding with construction of hydroelectric plants which will provide additional power for the area. In the Butte district The Anaconda Company is pushing ahead its construction program for greater development and increased capacity. The banking situation in the state is good, and there seems to be a steady demand for money. While the national situation seems to be clouded by international developments it is our hope that solutions may be found to the many problems involved which would make the outlook good for the year 1957.

THOMAS D. CABOT

President, Godfrey L. Cabot, Inc.

The rising price of carbon black raw material promises to be the most important single factor affecting the production of carbon black during 1957. The continuation of this well-established trend will combine with a corresponding upward trend in labor costs. Since the industry's product has traditionally been priced close to costs, any significant increase in the latter tends to find quick reflection in changing selling prices. More clearly than usual, it is necessary to appraise the difference between the domestic market in the United States and the demand for carbon black in the free world outside of this country. Over 30% of the world consumption of carbon black takes place outside of our own borders and of that market over 50% is supplied from plants in this country. This international character of carbon black has been brought clearly into focus by the unrest in the Middle East and the consequent reduction in oil supply. The damaging effects of the Suez Canal incident and its accompanying developments may be expected to affect carbon black demand in the free world outside of the United States in two ways. First, to the extent that industrial activity and national income are reduced, the market for carbon black will correspondingly decline. Secondly, the price of carbon black raw material as it rises will increase the problems of producers. The 1957 international trade in carbon black will almost surely be adversely affected.

Thomas D. Cabot

Midsummer expectations were that 1957 carbon black consumption in the free world outside of the United States would exceed the peak levels of 1955 and 1956. This expectation may not now be realized. In the United States, however, the economy promises to operate at a high level and carbon black consumption in 1957 should be greater than that in 1596 and it should equal if not exceed the previous peak of 1955. An important sustaining factor should be the market for replacement tires and the important contribution to carbon black demand made by the highway program and its requirements for large numbers of truck and off-the-road tires.

The over-built condition of the carbon black industry in the United States has been increased by recent completions. In this connection, it is interesting to note that oil furnace black plants, the only type now being constructed, are increasingly complex and much more expensive than the now-obsolescent channel black plants. The economic size and consequently the capital investment of a carbon black plant has increased very sharply in recent years.

The supply of black reflecting the new capacity has increased, and total industry stocks are in a rising trend which may continue in 1957.

There can be little doubt that the industry will continue to be under pressure for new grades of carbon black to meet the demands of the rubber industry as improved rubbers are introduced. The recent tendency has been for the newly-developed blacks to move in the direction of lower yields and, consequently, higher costs. The experience of 1957 should prove no exception.

G. B. BURRUS

President, Peoples Drugstores, Inc.

The year 1956 showed a sales increase of approximately 7%. A large portion of this increase came from new and larger stores opened during the year. New lines of merchandise were also introduced in the Chain Drug Store field.

Inventories reached a new high, due to the new and larger stores—as well as the introduction of new items. Merchandise was in ample supply.

The cost of doing business has continued to rise. All phases of operation are being carefully studied in an attempt to reduce the operating cost per dollar of sales. Simplified methods and procedures must be developed.

Greater competition will keep retail prices at a low level, with smaller profits from each sale.

Our expansion program of new and larger stores, principally in newly-developed Shopping Centers, will continue. These new outlets will produce added sales in 1957. We believe that as the business continues to improve, the older stores can hold their present volume. Our warehouse facilities are being expanded and modernized to handle this increased volume.

Larger amounts of cash for working capital will be needed to complete this expansion program and to make the accelerated Federal Income Tax payments.

The selection of new and profitable locations becomes increasingly hazardous as the population continues to move and new Shopping Centers develop.

We believe 1957 will produce a record sales volume. We also feel that the cost of doing business will continue to rise.

Aggressive merchandising, self-service, simplified operations and improved service to the customer appear to be the only answer to a successful operation in the year ahead.

CLEMENT C. CADITZ

President, Northern Metal Products Co.

A contract metal fabricator who knows his costs—and deals with customers who know their costs—will probably find 1957 to be a busy and productive year.

Clement C. Caditz

Nineteen fifty-seven will be a competitive period — but that's no different than any other year for a Constant Stamper.

The stamping industry as a whole has a job to do in 1957. That job is to sell industry on the cost saving aspects of buying stampings rather than "making" them in their own in-plant departments — which are not competitively equipped or motivated.

A. E. CARLSON

President, Felt & Tarrant Mfg. Co.

Present indications point toward a continuation of a high level of business activity throughout 1957, but with lower profit margins. I look for a tight money market early in 1957 with some slight easing toward the end of the year. Under these conditions, it will become increasingly difficult for companies to inaugurate and to finance expansion programs. Faced with lower profit margins, an increasing number of companies will examine their internal costs. This shoud help to stimulate the sale of Comptometer products which serve to lower office costs and speed the flow of work.

A. E. Carlson

GEORGE S. CASE, JR.

President, The Lamson & Sessions Co.

Last year contained no great surprises. Automobile production and housing starts fell off, but other activities counterbalanced these drops, so business activity on the overall was high.

This year looks about the same although the international outlook is stormier than it has been for some time. Tax adjustment would appear to be impossible. Our company is anticipating a slightly better volume of business, still further increases in competitive pressures from both domestic and foreign sources, and continued improvement in our operating efficiency.

The Lamson & Sessions Co. will be completing the last phase of a long range modernization program when it moves, this Spring, into a new 500,000 square foot Cleveland factory which will combine the operations of its present two plants in that city. Steady improvement in operating efficiency is the only answer, we can see, to the wage-price squeeze on profits.

A drop in business activity late in 1957 or 1958 would not surprise us. Nevertheless, we feel that, despite some temporary setbacks, the long range outlook is for increased business volume and a higher standard of living for the whole free world. Increased competition, the wage-price squeeze and taxes will make profits harder to realize in the years ahead, but they will be there for alert managements.

WARD M. CANADAY

President, The Overland Corporation

The prospect for business in 1957 seems to hold up well but I am impressed with the fact that expansion all over the world is creating a shortage of money in nearly every country. It seems to me this must tend toward a higher cost of money and a resulting decline in the rate of expansion.

In view of the fact that expansion of demand in almost every field has resulted in great pressures on extension of credit, it seems reasonable to suppose that the coming year will see a tendency toward further tightness of credit and a leveling off of expansion in some fields.

HAL N. CARR

President, North Central Airlines, Inc.

The scheduled airline industry as a whole experienced a 12 to 15% increase in commercial revenues in 1956, a gain brought about by increased flight service and continually growing public acceptance of air travel.

Hal N. Carr

The industry has every reason to believe that 1957 will be an even better year than 1956. Many important routes were awarded recently by the Civil Aeronautics Board, and additional extensions will be granted this year. The nation's 13 local service airlines will continue to penetrate new travel markets. The airlines will introduce faster and larger flight equipment. Technical developments will improve operational reliability, and reservations and ticketing innovations will result in better passenger service. These factors, coupled with the ever-growing popularity of travel by air, will result in record commercial revenues for America's airline industry this year. The local service airline industry achieved a somewhat greater gain than did the trunklines. The local airlines' increase in commercial revenues was 22%.

This should be a particularly good year for the locals. They look forward to improvements in present route structure, considerable system expansion and additional equipment. The effects of recent permanent certification will be felt more this year than in 1956. Smaller cities are developing their airports and terminal facilities to improve flight reliability and passenger service.

In 1956 North Central Airlines' passenger business increased 28% to a total of 549,653 passengers carried, while flight service was increased 22%. Commercial revenues rose from $5,300,000 in 1955 to $6,500,000 in 1956.

North Central's leadership in the local airline field (first in passengers, air express and air mail volume) was achieved primarily by intensive flight scheduling. This year, however, the company expects substantial improvements to its route pattern, extensive expansion of its six-state system, and additional flight equipment. It also plans to further increase flight scheduling over present routes. North Central anticipates 1957 commercial revenues will exceed $8,500,000 and that it will again establish new records for the local airline industry in traffic and revenues.

JOHN W. CARPENTER

Chairman of the Board, Southland Life Insurance Company

When 1957 is history, the record will show another year of prosperity and advancement by the insurance industry. Some of the reasons that this will prove true are:

John W. Carpenter

(1) The general economy is very healthy.

(2) There is a great and increasing demand for insurance and the market is far from being saturated. The insurance industry provides a service to humanity which certainly equals and perhaps exceeds that of any other industry. Every day, more people are becoming conscious of their need for adequate insurance protection, and recognizing the contribution it makes to the happiness and security of their families. It is a fundamental need; therefore, there will be an expanding demand for insurance. Our population is increasing, which also means an increase in the number of prospects for insurance, as well as for other goods and services. Employment is high; incomes are rising, and most important, the number of families in the middle income group (all good prospects for increased insurance coverage) is expanding rapidly.

(3) The principal factors involved in the immediate and long-term success of companies in the insurance industry are now favorable. Mortality experience, due to almost daily advancements in the fields of medicine, science and health, is favorable. The yield earned on investments, due to generally higher interest rates, is rising. Expenses are basically conservative and under control. Exceptions, which cannot be controlled, are increases due to general inflation and those due to increased taxes. We have been, and are operating now in a favorable investment climate, which means that investment losses are practically nonexistent.

(4) The industry is in excellent financial condition. Most companies are prudently and conservatively managed. Regulation of the industry is efficient and adequate. In other words, the insurance industry is generally very healthy, and ready and able to continue moving forward.

As to the general business conditions for 1957, the outlook is for one of our best years.

There will be a continuation of plant expansion and investment by corporations. The steel, automobile and petroleum industries, all good business barometers, will lead the way. Government spending, from Federal to local levels, will increase for many purposes. Defense spending, and spending for new and better facilities such as roads, schools, power plants and water and sewer systems will remain high. Farm income should continue its recovery. There is an excellent prospect for near full employment for the year, which means that people will have money to buy.

Two factors to watch which might influence the 1957 business outlook are growing competition and resulting narrowing profit margins, and the availability of capital. If money is not available for sound projects at a reasonable interest cost, the result will be a cancellation of some plans for expansion and the adoption of a more cautious attitude.

EDWARD J. CAUGHLIN

President, American Insulator Corporation

The Plastics Industry is growing and gradually expanding in order to take care of the new developments which require parts produced from plastic materials. The large chemical companies, which are the producers of plastic resins and compounds, have increased their facilities in order to meet the demands made upon them for more of their products. Many millions of dollars are invested in continued research and development that has produced new plastic materials and their costs have been reduced either through automatic operations or entirely new manufacturing procedures. Automation will have some beneficial effect on the manufacture of plastic molded parts, but its progress will be slow. This is due to the increased complexity of the molded parts and also to the greater urge to include metal parts in the final molded part. The fabricators and custom molders who use the plastic materials will be handicapped somewhat in their expansion program, because of the tight money market brought about by the action of the Federal Reserve Board in raising interest rates.

Edward J. Caughlin

About this time of the year, it is customary to make a forecast as to the progress which can be expected during the coming year. I feel we may look forward to another year of uninterrupted progress and growth. Greater sales can be expected because of the activity in the automotive industry, greater production of electrical appliances and to the continued growth of the electrical industry as a whole. The expansion of the television, radio and air conditioning industries will also require increased volume of plastic materials. In addition, we are experiencing a rapid growth in population, together with a very optimistic outlook by business in general, which will create larger demands for plastic materials.

The Plastic Industry is highly competitive, resulting in low earning ratio; however, during the past six months, some minor price adjustments have been made in the industry which were helpful. This condition of high competition is expected to continue; failures are likely to increase because some companies do not have adequate cost systems or controls and are faced with limited working capital. Credit will be tighter and interest rates will, very likely, remain the same throughout the year. Profits, which have never been excessive in the industry, will remain about the same as in the past. We are, however, faced with a period of rising costs with selling prices below the general price level of other industries.

In conclusion, I believe that the industry will experience an increase of about 10% in its sales, but it will be necessary to do some very intensive selling in order to accomplish this goal. Our company and our industry has just completed a satisfactory year, and we are very optimistic regarding our future in the Plastic Industry whose growth is unlimited.

GORDON H. CHAMBERS

Chairman of the Board, Foote Mineral Company

Foote Mineral Company operates six plants, producing minerals, chemicals, metals and alloys. Our products are sold primarily to the steel, chemical, petroleum and ceramic industries and to the Government. These consumers generally predict a high degree of business activity in 1957.

Gordon H. Chambers

There is every indication that 1957 will again establish record sales for our growing company. While we anticipate increased sales for a number of products in the fields of metals, chemicals and minerals, by far the most promising materials are lithium chemicals and electrolytic manganese.

Rapidly developing uses for lithium—the metal and its salts—indicate that we can expect a continual growth of lithium markets. Among the newest uses are high energy fuels and rocket propellants, while we feel that there exist interesting prospects in the exciting field of nuclear energy. Use of lithium as a catalyst in organic synthesis is already established, and 1957 should see increased interest in this promising field.

Electrolytic manganese metal use has also increased rapidly and we can foresee further growth of this product. As the new high-manganese stainless steels increase in popularity, use of electrolytic manganese is expected to exceed current industry capacity during 1957. For this reason, a substantial increase in production capacity of our manganese metal plants has been undertaken.

Newly developed alloys, both ferrous and non-ferrous, will begin to contribute to manganese metal growth in 1957, and these offer great promise for a larger and more diversified market for this metal. In general, we feel that, as our technology improves, there will be no lack of markets for manganese and certain other purer metals. We expect 1957 to confirm this optimism, and we are backing our optimism with substantially larger capital expenditures than we made in 1956.

PAUL F. CLARK, C.L.U.

President, John Hancock Mutual Life Insurance Co.

If we were searching for a single word which would best serve to characterize the history of our national economy, and especially the history of American life insurance, or to describe the period in which we are living, our choice would, I believe, inevitably fall upon the word "growth."

Paul F. Clark

A year ago it was apparent that (in terms of Gross National Product) we were at the threshold of a $400 billion economy — a figure that would have been regarded as astronomical not so many years ago. But that level was in fact surpassed in 1956. Moreover, it was surpassed notwithstanding correction of excess in some industries, excess of a kind which typically develops as resources of manpower and equipment are strained to reach or even exceed capacity operation. When the records are in for 1957, it is probable that the level of Gross National Product attained for the year as a whole will exceed that of 1956, despite continuing adjustments here and there in the economy. Since contemporary growth is fundamentally sound, such adjustments would only be temporary and afford opportunities to plan boldly.

While it is true that the growth registered in G.N.P. in recent years represents substantially increased physical volume of goods and services, approximately half of the increase in 1956 is estimated to reflect price change. During a period of practicable full employment, therefore, the resolute determination of our monetary authorities to discourage excessive expansion of credit can only be regarded as in the broad general interest. However sincere the intentions, advocacy of cheap money under any and all circumstances can hardly be considered sound economic statesmanship.

Whether measured by new sales of life insurance or by increase of life insurance in force or by the total of benefits paid to policy owners, American life insurance has just experienced its greatest year. At the end of 1956, more people enjoyed more life insurance protection than ever before and the accumulated and invested assets on which their insurance is based reached a new high in amount. The rate of return earned thereon continued to rise (and promises to rise further in 1957)—a factor which operates to reduce the cost of insurance to the nation's more than 100 million policy owners.

It is axiomatic that any reasoned estimate of the future market for life insurance rests primarily upon (1) the number of people; and (2) individual incomes. Expansion stemming from an increase in population might perhaps be termed "widening" and that arising from larger incomes "deepening" of life insurance coverage. There can be no doubt that life insurance coverage will both widen and deepen over coming years. The great upsurge in population will continue apace. To mention only one contributing factor, another bumper baby crop in excess of four million is expected in 1957. Individual incomes after taxes or what the government statisticians

Continued on page 30

Continued from page 29

call "disposable income" is estimated to have increased $5 or $6 billion last year. At this time, at least, it seems reasonable to expect an equivalent increase, say, approximately 2%, during the new year.

R. CARL CHANDLER

Chairman of the Board, Standard Packaging Corporation

While consumer buying power in 1957 may not rise far above 1956, packaging and other convenience industries are still riding an upward trend. Both the homemaker, and the industries that cater to her needs, will continue to seek the greater convenience, time-saving and efficiency provided by modern packaging advances. Packaging is also a basic element in the success of supermarkets and other self-service distribution operations, and the continuing increases in the cost of labor, the shopping habits developed by the automobile and other factors will continue to force the growth of these methods of distribution in the foreseeable future.


R. C. Chandler

Speaking for our own company as a leader in flexible vacuum packaging of foods and many other products, we plan to expand despite keen competition, because the very intensity of competition places a premium on technical improvements and research advances which we emphasize.

Our other divisions will also benefit from these and other trends such as the anticipated population growth of 2½ million in the coming 12 months and the changes in age distribution of the population, which will mean a larger number of youngsters in the 10- to 17-year age group. Teen-agers offer a greater market for ice cream packaged in our liquid-tight containers, for example. More children mean more milk drinking that benefits our paper and aluminum milk bottle closures. More children in these days of household help shortages also lead the housewife to depend more and more on convenience items in the home, such as our paper plates.

For us, that also means greater sales for our Missiquoi Division which supplies paperboard for our plates and other products. Thus, even though it is predicted that disposable personal income will be only about 4% higher in the first half of 1957 and about equal with 1956 in the second half, trend-riding industries such as ours should be able to look forward to growth if they continue to make technical advances and take advantage of selling opportunities.

DUNLAP C. CLARK

Vice Chairman of the Board,
Central Valley National Bank, Oakland, Calif.

Another year of marked prosperity and progress appears to be in store for Oakland and Alameda County in 1957.


Dunlap C. Clark

Conservatively applying the measuring stick to the 1956 returns that are available at this time, continued prosperity and progress at or near the level of 1956 can confidently be predicted. This forecast in itself is a tribute to the health of the economy for the backlog of industrial projects which have already selected this area and blueprinted commercial building appears sufficient to offset any impact that may result from the expected nationwide slackening off of residential construction due to the money market.

While the final figures will not be in for another month, the Metropolitan Oakland Area ledger for 1956 will show the following highlights: All-time records in industrial development with more than $55,000,000 in new plants and expansions, and a $12,000,000 increase in the manufacturing payroll in comparison to $21,252,000 in investment and a $6,206,400 boost in the payroll in 1955; total employment in excess of 315,000 and an aggregate payroll of more than $1,000,000,000.

Population at 870,000 to further strengthen Alameda's position as the State's second most populous county. Auto registrations are at 340,000 and $7,500,000,000 in bank debits are reported by the Oakland Clearing House Association.

Major projects slated to get underway in Oakland in 1957 include; extensive new construction and modernization in the Urban Renewal Program, the first section of the $39,000,000 MacArthur Freeway, expanded to serve the City and the County, the $40,000,000 world headquarters of the Kaiser Companies, the fill and largest phase of the $15,000,000 Metropolitan Oakland International Airport expansion program, $10,000,000 in public school projects under the four year $40,000,000 program, a $4,000,000 State building, plus a number of other multi-million dollar projects in the public construction field.

The Alameda County upswing will be sparked by major industrial developments in new plants and expansions, and $8,000,000 in state highway and freeway construction.

GEORGE L. CLEMENTS

President, Jewel Tea Co., Inc.

Retail food chains should chalk up another sales record in 1957. Prospects also appear favorable for an increase in profits, though in this area prediction is necessarily hazardous. The expectation of a rise in disposable personal income lies behind the expected gain in food chain sales. Most analysts of economic trends agree that 1957 will see another forward move in over-all economic activity, bolstered by rising government demand, a continued high level of business capital expenditures and a revival in the automobile industry, which went through a period of readjustment in 1956. The rising trend of consumer income should be given an added boost by the automatic wage increases incorporated in contracts covering 5,000,000 workers, as estimated by the U. S. Department of Labor.


George L. Clements

In recent years, consumer expenditures on food have consistently represented approximately 25% of disposable personal income. This stable share of a steadily rising income has been secured in the face of moderately falling food prices. There appears every reason to expect food expenditures to continue to secure 25% or more of disposable income in 1957. This share lies midway between the 23% average for the prewar years, 1935-39, and the postwar high of 27% in 1947, after wartime controls had been removed and durable goods were still scarce.

Food chain sales have been increasing more rapidly than disposable income or total expenditures on food. For example, from 1951 to 1956, disposable income increased by approximately 27% while food chain sales showed a comparable gain of 43%. There would seem to be room for this above-average growth to continue in the years ahead since the chains still account for only 40% of grocery store sales and about 33% of the sales of all food stores.

A number of factors lie behind the tendency of chain food sales to outdistance the growth of disposable income. One is the willingness and ability of the chains to supply modern retail facilities of the supermarket type, with parking lots, air conditioning, refrigerated space for frozen and other perishable foods, and expensive equipment needed for efficient, low-cost operations. These facilities are demanded by today's homemakers to furnish them with a growing variety of foods, particularly of the types which reduce the drudgery of food preparation in the home.

A second factor in the growth of the chains' volume is the rise in nonfood lines. These now represent close to 15% of an average food store's volume. There should be room for additional growth since the food chains still handle only minor fractions of most convenience nonfood items having rapid turnover.

This year, sales volume is likely to be supported by relatively firm food prices, though no sharp rise is anticipated. Supplies will remain ample and will make possible attractive values for consumers. However, the long and painful postwar adjustment of farm product prices shows signs of having bottomed out, as we are now beginning to make inroads on the surpluses in basic crops accumulated in prior years.

All evidence thus points to a continuation of the factors leading to growth in the volume of food chains, both in absolute terms and relative to disposable income. If disposable income should rise about 5%-6% from 1956 to 1957, which seems to be a typical expectation, food chain sales might be expected to rise by from 7% to 8%.

With respect to profits, in 1956 we saw an intensification of competition in the retail food industry. This was reflected in promotion devices which at times bordered on the bizarre as well as the spectacular. Apparently some markets were constructed without the careful research of the market which prudence usually dictates. With this experience behind us, and with tight money making necessary a careful scrutiny of all proposed new projects, I look for some easing of the more frenzied aspects of competitive practices in 1957. Consequently, there is a good chance that profits as well as volume will increase in 1957.

JOHN M. COATES

President, Masonite Corporation

Masonite Corporation looks to 1957 as another year in which to forge ahead making its product, Presdwood, an indispensable building material at every level of construction and in a myriad of industries. Through its diversified markets, which range from transportation to toys, furniture to die stock, houses to supermarket counters, the company anticipates a continued high level of sales.


John M. Coates

Our confidence in the immediate future may best be demonstrated by the decision of Masonite's board of directors to make a capital outlay of approximately $17,500,000 in its plants' facilities over a three-year period. Capital expenditures in 1957 will amount to some $4,000,000.

Construction of a fifth unit at our Laurel, Miss., plant which will add some 25% to the productive capacity there, was started in 1956. Capacity of the plant at Ukiah, Calif., will be increased by the addition of presses. In 1957, the West Coast plant will be producing coated boards for the first time, following the completion of a special coating mill late in 1956.

A strengthened sales program for 1957 assures even greater sales of "Peg-Board" panels and fixtures. This follows Masonite Corporation's purchase of the B. B. Butler Mfg. Co., originator of the product.

We look forward with great confidence to an excellent year in sales both for the corporation and its thousands of lumber dealers, who are backed by an unparalleled program of company support through sales engineering, advertising, sales aids and publicity.

MURRAY COHEN

Chairman of the Board, Consolidated Laundries Corp.

The linen supply industry should have its best year in 1957. I estimate that total industry sales will be up 8% to 10% over the approximate $375 million in volume done in 1956. A major part of our growth may be attributed to the increased use of industrial uniforms. Employers, from those running one-man businesses to those employing many thousands of people, are realizing in ever-increasing numbers that it is much more economical to rent uniforms for their workers from linen suppliers than to go to the trouble of cleaning and repairing uniforms they themselves purchase.


Murray Cohen

An employee's appearance is of twofold importance to a company:

(1) If an employee comes into contact with the public, a smartly tailored and eye-catching uniform with the company's name emblazoned across the back is a "walking billboard" for the firm; and (2) Clean and attractive work uniforms furnished at no extra cost to employees are a definite "plus" morale factor for them.

In addition to the increased rental of work uniforms, rental of table linens to restaurants and of towels to barber shops, beauty parlors and office buildings has increased every year and should again follow this trend in 1957.

The increased tendency on the part of many large institutions and establishments to close down their own laundry facilities in favor of renting linen requirements will be accelerated in the next 12 months. As additional hotels, hospitals and such make impartial cost estimates of their self-laundering expenses involving higher labor rates and more expensive equipment, they will find it is far more economical to rent linen supplies than to process their own.

Home linen rental to housewives is also increasing at a fantastic pace and should continue to expand during the coming year.

PETER COLEFAX

President, American Potash & Chemical Corporation

The growth of our national economy as a whole in 1957 is not expected to equal the rapid pace of 1956, and there are some indications that the trend of industrial output may not continue upward. Certain restraining influences on business generally, including high interest rates, can be expected to slow — perhaps to a healthy extent—the rate of growth of our economy. There is, however, strong public confidence, bolstered by a high level of employment and consumer income.


Peter Colefax

The long-range outlook for the chemical industry is favorable and it is to be expected that it will expand at a rate in excess of the average for all industry. During the past quarter of a century, the chemical industry has shown an impressive growth curve, having expanded an average of 10% per year, compared to an over-all industry average of 3% per year.

My reasons for optimism in the chemical industry are twofold. First, there is a healthy demand for basic chemicals in many fundamental industries and, at the same time, a strong growth trend among the principal companies using these chemicals. Second, the many intriguing new products emerging from the vigorous research programs of chemical producers not only are increasing consumption in present markets but are, in many cases, creating entirely new markets. In addition to new commercial uses, governmental requirements are opening up new markets for many products previously consumed only commercially. Worth particular mention is the great promise of chemicals in the missile and rocket propellant fields.

More than $300,000,000 is spent each year by the chemical industry in privately financed research projects. This amounts to about 3% of net sales. American Potash & Chemical Corporation has gone further with a research budget amounting to 3½% of the company's net sales.

Our research program was intensified in 1953 with the opening of a new research laboratory at Whittier, Calif., to augment the company's research program at the main plant at Trona, Calif. Laboratory space at the Whittier facility recently was doubled, while substantial expansions have been made of research laboratories at our Henderson, Nev., electro-chemicals plant and at the Los Angeles plant.

Studies have centered primarily around the upgrading —or added processing—of boron, lithium and bromine, inasmuch as all of these are among the basic chemicals produced at our Trona, Calif. plant.

It is difficult to be other than optimistic about the long-range prospects for the chemical industry.

JOHN H. CONNELLY

President, Southwest Airways Company

Southwest Airways serves a 36-city system in California and southern Oregon and has applications pending before the Civil Aeronautics Board for route extensions into Nevada, Utah, Idaho and Washington. For 1957, we anticipate a 25% increase in passenger revenue, an amount equal to the airline's experienced growth in 1955 and 1956.

Factors contributing to the record growth of Southwest's traffic in 1955 and 1956, were the introduction by the airline of a fleet of modern, 280 mile per hour Martinliners; the inauguration for the first time of low-cost coach service in local air transportation; and the continued, rapid population increase and industrial development of California. Southwest serves 11 million of California's 13 million population, and this market is expanding at the rate of approximately 1,400 new residents per day. The decentralization of defense industries and expanding resort attractions are additional factors contributing to growth of the airline.

In the near future, we hope to announce the purchase of new turbojet airplanes to replace our present DC-3's. Southwest's present fleet consists of seven 44-passenger Martinliners and 11 28-passenger Douglas DC-3 airplanes.

JAMES D. COONEY

President, Wilson & Co., Inc.

This year may mark the end, temporarily at least, to five consecutive years of expanding meat output that culminated last year in a record-breaking production of about 28 billion pounds. The 28% increase in production during this five-year period provided each consumer with 28 more pounds of meat in 1956 than in 1951, and last year's consumption level of about 164 pounds per person represented an all-time high.

James D. Cooney

However, the 1957 volume of meat and meat products is likely to be only moderately under last year's record output — possibly 2 or 3%. Most of this reduction will be in pork, and confined to the first half of the year.

A combination of smaller meat supplies and a continued sustained demand during the next few months should maintain livestock prices, especially hog prices, somewhat above year-earlier levels. This development will help provide the compensatory livestock prices needed to encourage adequate livestock production, and assure continued liberal supplies of raw material for the future.

Likewise, the consumer, who may pay a moderately higher price for meat than a year ago over the next few months, will be compensated by the added likelihood of future large meat supplies. In any event, the increase in retail meat prices this year that may ultimately materialize will probably be minor when viewed in perspective of the past five years—when a 17% decline in meat prices occurred.

The two key ingredients conducive to favorable operations in the meat packing industry are adequate supplies of raw materials and a sustained high level of consumer incomes. In both of these areas the outlook appears favorable and should present ample opportunity for profitable operations.

In 1957 we anticipate a continuation of extensive plant modernization, and improved merchandising throughout the industry. We also expect most segments of the industry will continue to give a great deal of attention to foods which have "built-in" convenience: that is, consumer packaged meat and meat products of superior quality that can be purchased conveniently, stored readily in the home, and prepared quickly and easily in the kitchen.

As the industry continues to meet the rapidly growing consumer demand for this type of food an increasing amount of work is transferred from the retail market and kitchen to the processing plant. These packaged foods tend to broaden and stabilize the demand for meat, reduce its perishability, and eliminate fabricating waste. These new products widen the market for the livestock producer, with increased stability aiding him in making still further progress toward leveling out the uneconomic peaks and valleys of livestock production.

Minimizing the fluctuations in meat supplies should result in a more satisfactory market for producers, permit better planning and more orderly operations in processing establishments, and give the consumer a more uniform quantity of quality meat throughout the year. Prospects are bright concerning the ability of the livestock and meat industry to make consistent progress in this area.

KIRKE W. CONNOR

President, Micromatic Hone Corporation

The outlook for the machine tool industry is good for the coming year. There are many plants that need new machines to replace obsolete equipment that is costly to maintain and is not capable of producing either the quality or quantity of work required in today's competitive market. There is a large sales potential in the many new developments in machining techniques and equipment that has not yet been fully realized. These are growing markets that present a real challenge to the machine tool manufacturer and his sales organization.

Kirke W. Connor

Automation is a rapidly changing, growing field that will continue to create both new markets and new problems. New automatic equipment has required a great deal of engineering time both in the design department and in the field engineering section. Many plants have not had trained personnel capable of operating and maintaining the new, more complicated equipment. Often the burden has been on the machine tool manufacturer to do the training, and to keep the equipment in operation during the training period. This has taxed his facilities and added to his operating costs.

Material and labor costs have been rising; yet, with competition becoming keener, it is not always practical to pass on all of the added cost to the purchaser of the equipment.

These factors, plus the extended time that their capital is tied up in inventories during design, manufacturing and setup of the automated equipment, has burdened the financial structure of many machine tool builders.

However, these problems are being met and will be solved. We can expect to see many changes take place in all phases of the business. New markets must be explored; one such is in the small plants that have been neglected, to a great extent, during the period in which automatic equipment for the large plants has taken up most of the engineering time. These small plants, that can not use fully-automatic machines, need new equipment designed to their requirements, that is both flexible and productive.

The organizations that will continue to prosper will be those in a position to take advantage of these changes. There is always a need for more and better machine tools throughout the world . . . especially in today's swift pace of evolution.

A. W. CONOVER

President, Equitable Gas Company

Predicting the future of the natural gas industry for 1957 is a pleasing assignment to me because I have the feeling that this will be the most profitable year in our long history. Fine leadership, research and aggressive sales policies have been the determining factors in the gas industry's progress since World War II to a $16 billion industry . . . the nation's sixth largest.

A. W. Conover

Basic to all estimation, are the proved recoverable natural gas reserves in the United States, which in 1956 totaled 223.7 trillion cubic feet, an increase of 12 trillion over reserves of 1955. The figure is increasing every year.

Engineering will also play a large role in our success. Modern research has produced exciting innovations such as: automatic top-burner heat controls on our ranges. Tell a housewife that she can now have the same precise automatically-controlled heat on the top burners that she has been enjoying in oven cooking, and you have a real selling point. The gas-fired incinerator for home use, as a result of intensive research, will now meet the most rigid stipulations of city ordinances which have heretofore hampered sales in certain areas.

Year-round gas air conditioning will come into its own in 1957. Mechanical units, which previously had a clear field in this area, will come in for stiffer competition as more and more new homes are equipped with gas-fired air conditioners. A considerable amount of money is being spent in continual research on gas air conditioners, many new models of which will be ready for the market late in 1957.

The by-products of natural gas offer another lucrative field for expansion of the industry. For example, our own Equitable Gas Company will begin operations of its new hydrocarbon plant in Maytown, Kentucky, in March. Ethane concentrates extracted from the gas will be sold to the chemical industry for the production of modern synthetics, such as dyes and plastics.

The general picture of the industry, to me, is a very optimistic one. I can see an expansion of more than $1 billion in 1957. Much of this will be in capital improvement, since our industry must invest more per customer dollar than perhaps any other. The gas industry is a good tax-paying corporate citizen; a very vital part of the American free-enterprise system, supplying some 25% of the nation's energy requirements.

It is my firm conviction that, with the growing unity and spirit of cooperation in the industry between producer, pipeliner and distributor, we shall attain new heights in sales, customers, and expansion in the coming year.

GEORGE H. COPPERS

President, National Biscuit Company

The outlook for the food business in 1957 is a very encouraging one. All of the favorable factors, including a growing population, high employment and high consumer purchasing power, which brought us a good year in 1956 are still prevalent. We see no reason for any abrupt decline in the generally good business conditions currently enjoyed throughout most of the country.

George H. Coppers

Sales of food and grocery products reached a record $70 billion in 1956 and we expect this figure to go even higher in 1957. Our own sales topped $400 million for the first time in our history this past year and we believe we can improve on that during the coming 12 months.

In addition to steadily increasing sales, National Biscuit Company expects marked improvement in its profits picture. A number of long range projects with which we have been concerned for several years have reached the point where we may reasonably expect a return on the investment.

Chief among these is the near completion of a ten-year plant rehabilitation program which has replaced obsolete production facilities with modern, efficient equipment. This program which has cost in excess of $150 million, will be about concluded with the completion of a new biscuit and cracker bakery now under construction at Fair Lawn, N. J. This plant will be in production in about a year and the production economies we will realize there, along with those achieved at our other new plants, will make a substantial contribution to earnings.

Two other projects which have progressed encouragingly are the Special Products Division, which markets our cereal and dog food products, and the Dromedary Division, which brought us into the cake-mix field. Both of these divisions introduced us to methods of distribution with which we had had little previous experience. We feel that both operations have now become established and that they can profitably broaden the scope of our activities.

The year 1957 should be an excellent one in our field and we believe National Biscuit is in good position to enjoy a profitable 12 months.

J. E. CORETTE

President and General Manager, The Montana Power Company

The 1957 outlook for Montana is generally favorable, and business improvement is expected to maintain the trends established during the last five years although the rate of gain in 1957 may not reach the records established in 1955 and 1956.

J. E. Corette

Population growth, which has been substantial and steady over the last decade, shows no sign of let-up and 1957 should see another good increase in the number of residents. New industrial developments, extension of marketing activities and community expansion programs are factors which support the constantly-increasing population.

Montana's industrial development has been one of the strong factors of the last several years, and this development is expected to be even more pronounced during the next 12 months. A $6,000,000 paper pulp mill now is under construction in western Montana—the first operation of its kind in the state—and at least one other company has announced definite plans to initiate pulp mill operations in Montana. These and several new hardboard and laminated-wood plants which have been started are expected to provide new stability for the state's lumbering operations which rank as one of its leading industries.

A new coal char plant will start operations early in 1957, being the first plant of its kind to utilize the state's vast beds of coal. Other smaller industries are anticipated, continuing a trend which has seen The Montana Power Company add an average of 50 new industrial customers per year for the last five years.

The Montana Power Company, itself, is looking forward to continued improvement in the utility field, with revenues expected to gain at a rate of approximately 5 to 6% as compared with a gain of 7% in the year 1956 over the year 1955. Residential electric business is expected to show increases slightly below the levels of 1955 and 1956.

The company expects to complete construction of a new 60,000-kilowatt hydroelectric plant by the end of 1957 to stay ahead of the constantly-increasing demand for electric energy.

Poker chips speak louder than words, and The Montana Power Company's construction budget for 1957 is expected to be approximately $22,000,000 to $24,000,000 as compared with approximately $18,000,000 in 1956. Construction in these two years is considerably above the 10-year average and is a reflection of past and anticipated future growth and development of this State.

Continued on page 32

Continued from page 31

F. S. CORNELL

Executive Vice-President, A. O. Smith Corporation

After a careful study of current economic and business indicators, and having made adjustments based on my personal opinions, I am inclined to believe that 1957 will be somewhat better than 1956. I think we will witness a continuation of the long term upward trend in total national output or gross national product.

The maintenance of this upward movement will require preservation of what I believe is currently a very delicate balance of economic and psychological forces. I further believe that this balance is recognized and will be kept. What are some of these forces which are at work?

Producers of basic materials like iron and steel, chemicals, and petroleum have indicated their confidence by announcing capital expenditure plans which are at an all-time high. I think that population growth and increased family formations justify these plans—that we do not generally have too great a cushion of excess capacity, in other words.

The buying public is in a relatively good position. Employment and weekly earnings are at record heights, with no depressed major industries. The current dollar buys almost as much as it did last year, retail sales are up, and consumers are paying off almost as many loans as they are making. In other words, they can and will want to buy new cars, appliances and similar equipment. The present atmosphere, thus, is one of confidence in our basic needs plus our willingness and ability to satisfy them.

One situation that particularly concerns me is the matter of "tight money." Although apparently not too serious a problem in the consumer instalment loan field, it is troublesome in the housing field—which gets right back to expansion plans of manufacturers of construction materials and appliances, employment of the skilled trades and other groups.

Increased costs for the use of short and long term money must be reflected in higher prices, or in lesser profits from manufacturer down to the retailer. This can make it difficult for manufacturers and others to expand or build plants. Manufacturers must also be able to save from profits or obtain other money which will make possible increased productivity to offset rising labor and material costs.

I believe we can maintain and make these adjustments, however; we are all working toward the goal of continued sound growth, consistent with our production needs and expanding population.

W. H. H. CRANMER

President, New Park Mining Company

Lead and zinc mining in the United States during 1956 continued at the relatively low levels prevailing since 1952. Prices for lead-zinc were shielded from declining further by the government stockpiling program. The ore produced was at the expense of long-range reserves. The stockpiling program provided no incentive for the exploration work vitally necessary to replace reserves being mined. 1956 witnessed a continuing depletion of domestic reserves under the short range, stockpiling program.

W. H. H. Cranmer

The Honorable Fred Seaton, Secretary of the Interior, has promised submission of a long-range mineral program to the 1957 Congress, to attain the goal established by President Eisenhower's Cabinet Committee on Minerals Policy: "*a strong, vigorous and efficient mining industry*—essential to the long-term economic development of the United States." Washington has stated, market prices of lead and zinc must be at levels "sufficient to maintain an adequate domestic mobilization base."

Domestic production is made at costs prevailing in our domestic economy, but sold in markets controlled by foreign producers' costs; and cost of exploration for new, nonpetroleum minerals, must—to a large extent—be capitalized over a long period, rather than (as in petroleum exploration) expensed against current costs; and operations experiencing difficulty are penalized by limiting their depletion credits to 50% of the net income realized.

Imports have continued to flow into the United States in volume far in excess of the need to supplement domestic production. Under the restrictive import policies of other nations, the surplus lead-zinc production of the free world has been salable only in our market. Stockpiling of lead-zinc was inaugurated in 1954 to prevent price declines which were proving fatal to the domestic industry. The net effect has been—prices attractive to foreign low-cost production subsidized by our government with resulting encouragement for further expansion, but only barely sufficient to maintain present established domestic operations with no incentive for expansion or ore reserve replacement.

Domestic production in 1956, through October, is at annual rates of 350,000 tons of lead and 540,000 tons of zinc, or 40,000 tons and 126,000 tons, respectively, below the 1952 levels.

In 1953, lead-zinc producers testified to the U. S. Tariff Commission that a 31¢ combined price for lead and zinc was necessary to maintain a healthy domestic industry. Under stockpiling the combined price has reached 29.5¢. Many interested parties, including government officials, have assumed present price to be adequate. This is not true.

Miners' wages, as a gauge of labor costs, have increased nearly 20%; transportation costs have increased 15% with requests pending for 6%, 15% and 7% additional increases.

Domestic raw material producers must absorb the cost increases in a market controlled and depressed by foreign production, unlike steel, autos, etc., where labor, supply and transportation costs can be passed on to the consumer.

The Administration can assure a healthy and prosperous domestic mining industry if it will take a page out of Canada's book by creating a favorable atmosphere for the nonferrous mining industry. Our own uranium mining industry and the amazing progress of Canadian mining proves this.

JEROME K. CROSSMAN

President, Ryan Consolidated Petroleum Corporation

On January 3, 1957, two of the major oil companies announced an increase in the price that they will pay for crude oil on an average of 35 cents a barrel. This small increase, the first since 1953, does not compensate the producer for the tremendous increases in his costs these past few years. The independent producer has been the major victim, and this remains a fact today. The independent nonintegrated company or individual has been the perennial scapegoat. The steel producers, the railroads, the service companies—these, including labor, and a host of others from whom the independent purchases his necessary supplies and equipment, increase their prices and wages and no hue and cry is raised.

It is to be fervently hoped that we have learned our lesson, and that never again will our country lay itself "wide open" by depending upon foreign oil. 1957 will see a continuous upward climb in the demand for crude. In this prognosis, I am not including the present urgent demand precipitated by the Suez crisis. With an adequate price base, the energy and ingenuity of the American oil producer can do the necessary. Surely history has demonstrated this conclusively.

R. C. CROUCH

President, Acme Precision Products, Inc.

Recent developments, unrelated to the general economic outlook, indicate a rising volume of business in the fields in which Acme is engaged during 1957. Special, high precision tools, test equipment of various types, automation and special machinery are all in a sharply rising curve.

Richard C. Crouch

In general this is due to the steady advances in technology and the demand for closer tolerances, more accurate technical controls and lessened dependency on the human factors in such manufacturing.

The expanded use of jet aircraft, the large increase in guided missile production and rocket developments have opened up a vast new field for test equipment and related specially engineered precision instrumentation equipment, fields in which Acme specializes. Due to the rapid developments in the whole metallurgical field since World War II, developments which have brought into broader industrial use the refractory metals of high melting point, high corrosion resistance and in some cases unusual hardness, a corresponding step-up has been and is being experienced in the quality and precision of the tools and dies used in the fabricating industries.

Acme has kept pace with these technical and fabricating developments both from an engineering and production standpoint and expects to reflect in its operation the growth in the field.

In the field of test equipment the growth is expected to be of very substantial proportions. Today's jet engines, though of recent development are far more powerful, and more complicated than those which emerged from the war. Electrical, hydraulic and electronic equipment is substantial and vital and must be tested constantly to insure safety and effective operation in flight.

In the guided missile field, which Acme has entered with its joint arrangement with Cal-Tronics of California, the growing demands are expected to be of unusual proportions.

Here testing and test equipment, recording and sensing devices are not only essential to operations but an economy must. Guided missiles cannot be shot into space indiscriminately on account of the prohibitive cost.

In the field of automation advances similarly are expected to be above average. Already the pinch of higher material and labor costs are a serious concern to industry and labor cost represents a much more effective field of saving than material. Consequently we expect the application of automation will exert continuing upward pressure on the production schedules of those companies equipped to supply these interesting needs.

In consequence, Acme Precision Products feels that its particular fields will benefit from a rising demand for its manufacture somewhat out of step with the general business experience of 1957.

VIRGIL D. DARDI

President, United Dye & Chemical Corp.

We at United Dye and Chemical naturally view the approaching 12-month period with the same caution as the rest of American industry. We do not share the pessimistic point of view that booms must be followed by busts but we do look forward to a year of cautious readjustment, particularly in heavy basic industry. Most people are reluctant to admit that much of the readjustment that they talk of as necessary has already taken place, and the basic structure of the economy will remain on a high level similar to the level now enjoyed.

V. D. Dardi

Because of normal industrial and commercial fluctuations as well as constant changes in the prospects of world peace during the coming spring, I feel that there will probably be a slight downward curve in the movement of the market which will be reflected around mid-summer. However, much of this downward swing will be replaced before the end of the year.

As far as our own company is concerned, we are entering a period of unusual opportunity. Although our dye operations are continuing somewhat static our chemical and petroleum operations are steadily expanding. We are also enjoying a period of resurgence for one of our chief affiliates, The Bon Ami Company. During 1956 this company successfully introduced its new Jet-Spray Bon Ami, and even the most conservative of estimates indicate that its acceptance will continue and that the current upswing in the regular Bon Ami powder will level off at an unprecedented high level in sales.

In our estimation, the greatest danger to American business in 1957 will be from those who unwittingly are attempting to talk us into a business standstill. The increased curbs on the availability of bank funds should certainly serve its purpose of increasing management efficiency while not hampering operations. However, any substantial increase in credit restrictions as they stand today would materially hurt the fundamental expansion potential of American business which is the only guarantee to a sustained high level of employment, bank deposits and taxable revenue for an unprecedented defense and foreign relations program.

JUSTIN DART

President, Rexall Drug Company

My view on 1957 in capsule form is:

Volume—Moderate increase.

Profit—Moderate increase.

The principal limitations on both will be the tightness of money.

However, we thoroughly approve of the "tight money" policies of this Administration from a long-range viewpoint.

Justin Dart

DEANE C. DAVIS

President, National Life Insurance Company

The new year has arrived under more unusual economic conditions than any year for almost a quarter of a century excepting the war years. Business activity continues at the high rate which identified 1956. At the same time, the tightest money market in many years has become one of the most discussed factors in appraisals of the outlook.

Deane C. Davis

Tight money has resulted from a combination of several factors. A tremendous demand for capital is making itself felt to finance industry, a wide variety of public works, a high rate of home construction, and heavy consumers' purchases. During recent years, there has been a reduced rate of saving. Finally, the laudable unwillingness of the Federal Reserve System to ease the credit pinch, and thus accentuate inflationary pressures has made more apparent the impact of the heavy demand for capital. The great demand for a capital for a wide variety of purposes augurs well for the future of business because it indicates a continuing confidence and a high rate of expenditures for capital projects. Monetary stringency may result in the curtailment of some projects of marginal justification, but to the extent that tight money results solely in deferment, the net effect is highly salutary and tends to prolong a high rate of business activity. If such projects were not deferred, they would serve only to accentuate a transient boom with the inevitable and unavoidable painful adjustments.

Current high money rates should stimulate saving, and thus contribute ultimately to a larger supply of capital. In the meantime, the efforts of the Federal Reserve System to maintain a stable dollar by refusing to ease credit pressures, deserve the wholehearted support of every citizen of this country owning a life insurance policy, a government bond, a savings deposit or any other investment with a fixed-dollar amount.

Two very important developments presently taking place endow the economy with a tremendous potential.

In the first place, a rapid increase is taking place in the nation's population, and while population alone does not insure prosperity, an increased population, combined withh the productive genius of America, contains impressive promise for the future.

In the second place, the scientific developments occurring at a rate which defies comprehension of the average layman, suggest continuing economic activity at a very high rate and constant improvement in the standard of living, provided we are willing to pay the price of avoiding economic execesses.

From the point of view of the life insurance policyholder, current money rates and improved longevity should result in somewhat lower-cost life insurance, provided inflationary pressures and Federal income taxes do not produce offsetting increases in the costs of conducting life insurance business. Thus, life insurance becomes an increasingly attractive investment.

The growing appreciation of the value of life insurance, combined with the promise of a high rate of business activity which will make the purchase of larger amounts of life insurance possible, paints a continuingly bright outlook for the life insurance industry.

W. E. DILLARD

President and General Manager, Central of Georgia Railway Company

1956 has been a good year for the Central of Georgia Railway. We have seen new industry locating in our region at an unprecedented rate, and prospects for continued development remain exceedingly bright. We have gone ahead with the program of mechanization and upgrading of track and equipment, substantiating our belief that our economy will continue to rise in the foreseeable future. In order to meet the needs of an expanding economy, and to accommodate the new industries moving into our region, new equipment, including box cars, covered hoppers, flat cars, and locomotives, has been purchased.

W. E. Dillard

Automation has taken hold with new vigor, and accounting procedure has been speeded up and simplified by the use of business machines and other devices. Our traffic and sales department has done a magnificent job during the year and if the present level of the economy holds, chances are that our business will increase during 1957. It seems axiomatic that such freight increases are necessary in order to offset recent boosts in wages agreed upon between the railroads and the brotherhoods, to be effective over the next three years.

As we approach the uncertainties offered in 1957, we do so with the courage and enthusiasm to get the job done regardless of the obstacles.

WILLIAM DENNY

Executive Vice-President, Merritt-Chapman & Scott Corporation

All government and industry surveys agree that 1957 construction volume will show an appreciable increase over the preceding year, continuing the steady upward trend that progressively has set new records since World War II. Backlog figures of Merritt-Chapman & Scott's Construction Department bear out this forecast of a further acceleration of activity this year, with special emphasis in the fields of heavy and highway construction.

Estimates of the 1957 rise in new construction put in place vary only in degree, with predictions generally ranging from 5 to 10% in over-all volume. Precise estimates as to the percentage of increase are in themselves relatively meaningless, industry sources point out, however, since annual construction volume during the past decade has almost invariably exceeded forecasts that were regarded as optimistic early in the year.

Realization of the high volume of construction anticipated for 1957 naturally will be dependent upon the availability of an adequate supply of steel and—as always—upon the international situation. Despite the engineering advances made in the use of prestressed concrete design for many structures, steel continues to be the "staff of life" for major construction, and must be on hand when needed if contractors are to keep up with construction schedules. Sparked by the Federal road building program, new records are expected this year in the field of highway construction. An increase in bridge, tunnel and other heavy construction similarly is anticipated, with each new development opening a further frontier for industrial expansion.

Of all industries, construction offers perhaps the most dramatic symbol of America's growing economy, for each major project opens a new avenue for further growth. To name but a few representative Merritt-Chapman & Scott projects, there is, for example, Priest Rapids Dam in the state of Washington, bringing new power to the Pacific Northwest; Mackinac Bridge, the first vehicular link between the Upper and Lower Peninsulas of Michigan, and the Hampton Roads Tunnel, the first crossing of that historic body of water.

As a member of the construction industry, Merritt looks forward to 1957 as another year of high accomplishment.

ARTHUR O. DIETZ

President, C. I. T. Financial Corporation

Based on the present indicated strength of the American economy, 1957 promises to be an excellent year for both business and consumers.

C.I.T., through subsidiaries, is a leader in consumer instalment financing of automobiles, financing the sales of construction and industrial equipment, and in factoring sales of textiles and other products.

Arthur O. Dietz

Highway construction is expanding at local, county and state levels, and further increases in expenditures are in prospect. This will enlarge the needs for contractors' equipment. The durable goods industries are also anticipating an excellent year.

The outlook in the textile field is encouraging and the other industries that we serve are in sound condition.

As for the automobile industry, prospects for 1957. It is our present opinion that the industry will enjoy one of its best sales years in history.

There are several reasons for my optimism about the automobile industry: The outstanding improvements in design and performance of the 1957 models, the increased trend in multiple-car ownership, the continuing suburbanization throughout the U. S., making cars necessary to increasing numbers of families; the fact that nearly 20,000,000 instalment buyers will have completed payments on their cars in 1956 and 1957, making them good prospects for new car purchases, and the start of the new Federal highway program.

U. S. consumers have demonstrated again in 1956 that they are the best credit managers in the world. The excellent payment record in 1956 reflects primarily the integrity of consumers and the fact that credit was extended on sound terms by the vast majority of lending institutions.

Consumer instalment credit is not fixed debt, hanging permanently over the heads of the same group of people. It is constantly turning over—old accounts being paid and larger equities being established — with newly created obligations each day placed on the books as new people individually act on a realistic appraisal of their needs and financial situation.

More than two-thirds of the purchases of durable goods are made with instalment credit. This mass financing medium has assumed a vital role in the nation as a prop to the entire economy, making possible not only mass production and mass distribution but also millions of jobs for those who make, sell and use these goods.

WALTER E. DITMARS

President, Gray Manufacturing Company

The Gray Manufacturing Company, producers of Audograph dictating machines, PhonAudograph telephone dictation systems, and other allied electronic equipment, expects record sales of dictation equipment for 1957.

Walter E. Ditmars

More and more businesses—large and small—as well as other oraganizations and institutions, such as hospitals, are becoming 'dictation equipment conscious. This applies not only to the individual portable instruments, but especially to the remote control telephone dictation systems where all the executive has on his desk is a telephone.

Four main reasons for this encouraging development, which at Gray has been reflected in the greatest peacetime backlog of orders in the company's history, are:

(1) **The general trend toward automation in the office,** of which dictating equipment is an integral part. In the modern office, much of the work formerly done by hand is now done electrronically. We have electronic computers, done electronically. We have electronic computers, electronic filing systems, photo-electric reproducing systems, electric typewriters, and many other innovations which improve office efficiency and cut costs at the same time. "Pushbutton" dictation—whether by individual machines or telephone dictation systems—forms the backbone of the truly automated, efficient office.

(2) **The scarcity of secretarial help.** Any personnel or office manager can tell you that secretarial help is becoming more and more difficult and expensive to obtain. Modern dictation equipment allows one girl to perform the work formerly done by several, thus permitting the utilization of the latter in other productive work. No longer is it necessary to go through the time-consuming period of shorthand dictation, with all its interruptions and delays. The secretary can now type the letters as they are recorded, and the executive can dictate when he feels like it, instead of having to wait for a scarce secretary.

(3) **Electronic advances in dictation equipment,** which make this method of dictating as easy as a casual telephone call. Most new dictating equipment — whether individual or of the telephone type—is designed for the complete relaxation of the executive. With most of the controls on the microphone or telephone handset, all the executive has to do is to sit back and "talk" his dictation away, in the privacy of his office, at home or on the move. Electronic advances also provide the clearest recordings which make the transcribing secretary's job that much easier and more pleasant.

(4) **Increased office efficiency and reduced costs** as a result of the installation of dictation equipment. Satisfied users of dictating equipment report great dollar savings and greatly increased office efficiency. In some instances these savings are so large that they expect to recover their initial capital investment within two years.

There are, of course, many other reasons for this promising outlook in our industry, including the tremendous educational job the industry has done through advertising and public relations. The latter has played an important role in breaking down the original resistance of executives and secretaries to machine dictation.

I have no reason to doubt that this same favorable situation applies to some other dictation equipment manufacturers, for the demand is practically unlimited.

DR. LELAND I. DOAN

President, The Dow Chemical Co.

The business outlook for 1957 is typified by high employment, high levels of production and intense competition with some flattening of the economic growth curve.

Many forces will be at work opposing each other strongly. Disposable income, for example, will undoubtedly be higher than ever, but, contrariwise, governmental credit policies are likely to have a restraining influence on mortgage and instalment buying.

Leland I. Doan

Prices, on the average, will hold about even or edge up slightly. Industry in general is feeling a profit squeeze as a result of increased costs, but the keenness of competition will tend to prevent other than selective price raises. Thus investors can expect to see lower profit margins recorded by most of their holdings. Dow anticipates substantially larger sales, but we probably will be unable to hold net earnings at last year's level and we think most companies are in pretty much the same boat.

A possible decline in private building will be more than offset by increased industrial construction and public works and substantially greater Federal expenditures.

In the net, I believe that 1957 will be a year of good business, hard fought for, and that the long range outlook is extremely favorable.

Continued economic growth will require more chemicals and new chemical products. Dow is expanding to help meet these needs. Major projects currently under way are a new general chemicals division near Baton Rouge, La., and a plant near Williamsburg, Va., for the manufacture of Dow's new synthetic fiber, Zefran. Both projects will carry over well into 1958.

DONALD W. DOUGLAS

President, Douglas Aircraft Company, Inc.

Outlook for Douglas Aircraft Company for the forthcoming year is one of higher sales, particularly of commercial airplanes.

Deliveries of DC-6 and DC-7 series aircraft will be stepped up during the forthcoming fiscal year, from the present rate of approximately 12 to 15 per month. Accelerated deliveries will be reflected in earnings, not only during the forthcoming year but well into 1958.

Donald W. Douglas

The company's backlog had climbed to approximately $2,280,000,000 as of Sept. 30. Fifty per cent of this business is in the commercial aircraft field—a company record.

In addition to the DC-6 and DC-7 series orders, a large proportion of the backlog represents contracts for the DC-8, the Douglas Aircraft Company contribution to the nearing era of commercial jet transportation.

While the majority of the world's airlines have placed their initial orders for jet equipment, there remains some potential of new orders by operators that have yet to commit themselves.

Prospects for Douglas company in this field and in the field of re-orders by airlines already in the fold are good.

All forecasts indicate an increased demand for air facilities throughout the world, and we are moving in anticipation of this development.

This increased demand for air travel, a Douglas sur-

Continued on page 34

Continued from page 33

vey indicates, will create a market for an additional 20,000,000,000 to 27,000,000,000 annual passenger seat miles within the next decade.

To meet this demand for additional facilities the airlines would need 120 to 223 aircraft of the DC-8 type and orders would have to be placed within the next six years to meet the delivery requirements.

This market situation, combined with the fact that an unusually large proporotion of our backlog is for commercial transport aircraft, creates a situation of stability for Douglas in an industry where military orders are subject to fluctuation according to international developments.

Military business at Douglas Aircraft Company continues to account for a large proportion of our sales, with all branches of the Armed Services being serviced by our production lines. The company enjoys the position of one of the leaders in the nation in the field of missile production.

Alone or in collaboration with leading electronic firms, the Douglas company is engaged in work on eight major missile projects for the Air Force, Army and Navy.

Cargo and combat aircraft for the Air Force and Navy still account for the primary activity at three of the five Douglas divisions. Thus, with commercial deliveries scheduled well into the future, current sales continue to be predominantly military.

TERRELL C. DRINKWATER

President, Western Air Lines

Having closed a record year, we look forward to a material expansion of business during 1957 highlighted by an accelerated program of fleet modernization, inauguration of service over new routes, and increased earnings. Western closed 1956 with total income, from all sources, of approximately $2,900,000, or $3.70 a share, predicated on 775,707 outstanding shares. Net income in 1955, based on 743,463 outstanding shares of common stock, was $2.67 a share, a total of $1,981,685.

T. C. Drinkwater

Indicative of Western's complete recovery from an early 1956 strike which halted operations for 73 days and was responsible for a first-quarter net loss from operations of $1.04 a share, is the estimated $2.24 a share net profit from operations for the last three quarters of 1956. The company also expects to realize $2.50 a share from the sale of retired aircraft, for an estimated total of $3.70 a share.

Combined with returns expected from the scheduled 1957 sale of two DC-4s, increased earnings from normal operations should be sufficient to maintain the present level of income.

The airline established a new dividend record during 1956 when four regular $0.20 cash dividends were paid, in addition to a 4% stock dividend declared in August. There were no dividends paid between 1936 and 1951; re-established in 1951, dividends have been paid regularly.

Forecasting an era of stabilized labor relations, Western's spokesmen point to the fact that the company now has signed work agreements with each of its seven labor unions.

Key to the airline's long-range equipment program to meet steadily rising traffic demands will be delivery of seven new Douglas DC-6B airliners which will be placed in service beginning in April. Some of these planes will be converted to high-density economy aircoaches designed to compliment Western's established luxury "champagne service."

Financing of the new planes, as well as four additional DC-6Bs to be delivered early in 1958 and nine Lockheed Electra propjets to be acquired in 1959-60, is covered by a fiscal program consummated last year which encompassed the sale of subordinated convertible debentures, a bank loan and a long-term insurance company loan. During 1957, the airline expects to sell its last two DC-4s still in service, and possibly some of its remaining five DC-3s. Purchase of pure jet aircraft and allied equipment is under study by Western management, altough no definite commitments have been made to date.

Inauguration of valuable new routes, and important realignment of present routes, is expected to play a major role in the successful operations predicted for 1957.

It is reliably reported that the U. S. State Department once again is making strong efforts to obtain a permit from the Mexican Government which will enable Western to open non-stop service between Los Angeles and Mexico City.

Western has held a U S. franchise on this valuable route since 1946 as the result of an award by the Civil Aeronautics Board, but the airline has been unable to implement this right because of the refusal of the Mexican Government to surrender a monopoly held by a native company for the past 20 years. We are confident that this situation will be remedied in 1957 and that Western will be authorized to begin long delayed operations over the lucrative route, action which will strengthen materially the company's system pattern and increase its length of passenger haul.

The airline now is awaiting a CAB examiner's decision on its application for new routes serving Phoenix from Denver, Salt Lake City, Los Angeles and San Diego. Western's case for this new route complex is a strong one, the segments applied for by the company can be integrated ideally into the present WAL system, and operation of service over the planned network will provide greater utilization of aircraft in long-haul flights serving Arizona, one of the West's fastest-growing States.

On Jan. 1, 1957 the present management team at Western marked its tenth anniversary in command of the nation's oldest commercial airline.

DR. FRANK H. DRIGGS

President, Fansteel Metallurgical Corporation

From a standpoint of sales and earnings, Fansteel has just completed the largest year in its history, and there is no indication of any diminution of volume in 1957.

The metals and products made by Fansteel are sold entirely to industries, who use them either as materials, parts or components in their own products, or as equipment or tools in plant operations to make production better, faster or more economical.

Dr. Frank H. Driggs

At first glance, it would seem that Fansteel's prosperity is tied directly to the prosperity of the industries we serve. To a great extent this is true, and only a few years ago a slump in any one of our important customer industries caused an immediate slowdown in our sales volume. However, this is rapidly being overcome by the extensions of uses of our products into industries who had not used them before, and by the development of new products. In 1946, our sales were limited largely to the automotive, chemical, electronic and metalworking industries. In 10 years, we have not only greatly increased our sales to these industries with the products they used in 1946, but have added new products which have brought about further increases. During this same period, we have extended our markets to include a number of additional important industries, including aircraft, atomic energy, electrical equipment (power switchgear, motor controls, etc.), communications equipment, home appliances, mining and oil drilling, ordnance and military materiel, railway equipment.

The miniaturization of electrical and electronic equipment, which many authorities credit to the transistor, has had a profound effect, and a favorable effect upon us. For many years we had tried to interest our customers in the tantalum capacitor whose principal advantage is large electrical capacity in small space. Only in the past few years, since miniaturization has come into effect, has this important development found widespread application. At present, we are unable to meet the demands of our own capacitor division and the other capacitor manufacturers to whom we supply tantalum. Work has already begun on the construction of a new plant near Muskogee, Oklahoma, to supply additional tantalum and columbium. This plant, being built at a cost of $6,500,000, will increase our tantalum capacity by 50%, and our columbium capacity by 150%.

The year 1957 will present opportunities and challenges—opportunities in new products brought into being by research, both in our own laboratories and those of the industries we serve, challenges in the scarcity of technical and professional personnel and in the tight money situation which may slow down further expansion in some of our customer industries. These difficulties, even if they should become worse, should not prevent Fansteel from having a very good year in 1957.

GUILFORD DUDLEY, JR.

President, Life & Casualty Insurance Company of Tennessee

If the economy of the nation lives up to the forecasts reported from most authoritative sources, the life insurance industry can expect another excellent growth year. The gain of life insurance in force during 1957 for the industry as a whole should certainly exceed the gain made in 1956 which in turn was the best year ever. As usual, some individual companies will show greater gains and some lesser, since efficient management, sometimes overlooked, is a vital determining factor.

Guilford Dudley, Jr.

Our population is at an all-time high and growing steadily. Births in the United States approximate four million a year and each birth theoretically establishes a new need for life insurance.

In addition to an ever-increasing population, employment is at an all-time high and in most instances wages and earnings continue to grow. Of course the price of this prosperity has been a rise in the cost of living. However, even the farmer, who often complains of being the forgotten man, thanks to increased consumption, government price support and the soil bank, showed a 4% rise in income, which was the first up-swing in four years.

During 1956 we saw a tightening of credit, which was a healthy deterrent to inflation. This of course resulted in higher interest rates, which apparently will continue into 1957. Thus the funds of life insurance companies can be invested at better rates than have been available for many years.

As an article in "Time" magazine recently stated on this subject, "With unemployment already low and expected to remain low, with credit already tight and expected to get tighter, with prices already high and expected to rise another 4%, the big danger for 1957, like 1956, will be inflation. . . . As in 1956, one of the problems is how far and how fast industry should expand."

The two key factors in the economic outlook for 1957 will be the foreign situation and the role our Federal Government plays in the flow of funds as well as the Federal Reserve action in the latter regard.

It is regrettable that our national economy should be so dependent upon the vagaries of international politics which in turn keeps our own defense spending at a maximum. However, one must face the fact that our internal economy very definitely is affected by the various crises in all parts of the world.

The economy for 1957 as a whole and certainly the first six months should be definitely on the upward side, always provided no world-wide conflict develops.

H. P. EELLS, JR.

President, Basic Incorporated

The refractories industry can again look forward into the new year with a high degree of optimism, based upon the outlook for steel activity, the industry which it principally serves. A high level of steel production is foreseen as population growth, the striving for higher standards of living, and unabated national defense requirements combine to keep the furnaces hot. Expansion plans of the steel companies themselves reflect confidence in future demand, not only for the coming year, but for some time to come.

There is a good deal of controversy as to the near-term effect of the current tight money policy of the controlling authorities. It is feared that while attempting to accomplish the laudable purpose of keeping an expanding economy within safe bounds, it may well start it rolling backwards. Although monetary control must have a certain degree of influence, it has yet to be proven that such control can fully repeal the law of supply and demand in a free enterprise system in terms of broad trends.

We are confident that any adjustments which may occur from monetary and other business crosscurrents, which are always with us in varying degrees, will not be of sufficient magnitude to seriously disrupt our forward progress, and that American business, the steel industry, and the refractories industry will have a highly satisfactory 1957.

HARRY EDISON

President, Edison Brothers Stores Inc.

As I view it business during 1957 should thrive in a healthier economic climate than prevailed in 1956. Retail business retarded somewhat during the first six months on account of unseasonable weather and an early Easter; it also had to weather the storm of a national election during the last six months. In spite of the foregoing our own company sales climbed to an all-time high record approximating $91 million. Increased population will require stepping up shoe production to a greater degree than was produced last year.

Harry Edison

I am now more optimistic in prophesying the business outlook for 1957 than I was in evaluating the factors underlying business for 1956. To me the business outlook for 1957 is decidedly favorable because the underlying factors which have supported our nation's economy during 1956 could well change for the better during 1957.

Here are the factors on which I base my optimism for a good business year. We are out of the political storm and our people have overwhelmingly registered their confidence in President Eisenhower. He has proven to all nations of the world to be a champion of world peace. He has dedicated himself to the preservation of world peace. This inspires every American and gives a ray of hope to all peoples of the world that war is not at all inevitable. To me this is a most cherished beginning for the new year inasmuch as we know that the balance of world peace at this hour hangs on a very thin thread.

Our government has already stated that the spendable defense budget for 1957 has been increased over and above the billions that were spent for defense last year. Other factors which should make for good business is that state and local spending for roads, schools and other public works will be on an upward trend. Business and industrial expansion, new housing projects and many other types of construction will also go forward in spite of tight money. I feel there will always be an ample supply of money available for responsible and capable management who find it necessary to borrow for sound purposes. Interest charges on loans should be at rates both fair to the borrower and the lender.

Consumer incomes will rise since employment will continue on a high plateau. Wages and rates of pay will be on somewhat higher levels. Banks, loan associations and savings societies now offering higher interest rates will encourage public savings all of which adds up to spending money being made available in the pockets of our consumers. Our population will contribute to increase. Our citizens enjoy the highest standard of living of any nation on earth.

We must however guard against the danger of continuing to pass on high manufacturing cost and increased wages to consumers by markup price tags on commodities and essential consumer needs. There is a breaking point in such a procedure which in itself could well cause a serious price consciousness in the minds of our buying public. This could bring about a business decline and create a competitive battle for the consumer dollar far more aggressive than what we could even anticipate.

Manufacturing resources in every field should strive for greater efficiency and expand their production in relation to consumer requirements so that lower unit costs can attract the buyer. Production, however, should not override consumer needs. Excess production could well lead to excess inventories, plant shutdowns and even unemployment. This perhaps was somewhat of a development in the auto industry in 1956.

Our company's expansion program for 1957 calls for approximately 30 new units to be added during the year to the 297 shoe units already in operation. One of the largest units in this group will be located on Fifth Avenue, New York City. Many other new units will likewise be in operation in major shopping centers now being developed around New York proper. Company sales potential for 1957 could well climb to $100 million.

WILLIAM A. ELLIOTT

President, Elliott Company, Inc.

The future of the Elliott Company lies in the hands of the many diversified industries it serves. Utilities, petrochemical and steel industries are all expanding. It has been predicted that large electrical generator capacity will be doubled in the next eight years. Elliott's plans for the future on electrical products are predicated on this substantial continued growth.

W. A. Elliott

With an excellent backlog of orders as Elliott enters the New Year, and the continued tremendous demand for its products, I am confident that a record breaking year in 1957 will be achieved. The capital expenditure program planned over the next four-year period is an indication of management's optimism for the future. New applications for present products resulting from research activity should eventually have a prosperous effect on the future. The Company has recently started construction of an addition to its Crocker-Wheeler motor facilities which should be in operation during the summer months. Because of the need for providing larger working areas for engineering and other personnel, who are needed to design and build the products, additional office facilities are being provided. Increased test facilities and increased manufacturing facilities in the form of larger tools are now in the process of being installed. Other plans are on paper for projects presently receiving careful consideration.

Elliott Company looks to the future for continued growth as it eyes expansion plans of the industries it serves. New facilities being acquired are not only providing expanded manufacturing facilities but should make a valuable contribution to a reduction in costs through improved efficiencies. It is expected that some of the continued rise in wage and material costs will be realized by an improvement in manufacturing efficiencies.

FRANK F. ELLIOTT

Chairman, Board of Directors, Crane Company

Even if capital expenditures were to remain the same this year as they were in 1956 and in spite of a slight decrease in new housing starts, we feel that there will be a slight increase in total sales of the valve and fitting and plumbing and heating industries during 1957. Although these industries are tied in with the overall economy, there are peculiar factors to be taken into consideration. One is the fact that, in spite of general industrial conditions, the water-works and sewage programs and the chemical, petro-chemical, petroleum, plastics and synthetic rubber industries will continue to expand during the coming year. And since the amount of valves and fittings used in these activities is greater than for industry generally, we should be able to expand our sales even if construction generally remains about the same.

Frank F. Elliott

The nuclear power field, both in military and peace times uses, also will continue to grow in greater proportion than industry generally and here again valves and fittings are an important factor.

In the case of plumbing and heating, housing starts may not increase this year and could even decline, yet there is a tendency toward more bathrooms per home and a general upgrading of bathroom facilities and heating equipment in newer residences. Paralleling the situation in industry, there are types of construction such as schools, hospitals and institutions which will continue to be on the upgrade regardless of the general building program. Here again our products are in wide use, specially plumbing fixtures which are providing far more comfort facilities in schools as time goes on.

We are reasonably sure therefore, there will be no slump in sales for either of the industries that our company is engaged in.

But the problem for 1957 appears not to be one of sales but of earnings. This also seems to be the main problem with almost all of industry based on the later reports of 1956. Sales increases have not been accompanied by corresponding increases in earnings and there is some question how much correction can be made in the coming year. Manufacturing costs have gone up considerably and in the highly competitive industries we represent it is not easy to pass on those costs to our buyers. The extent to which we can do it in 1957 coupled with improvements in operating efficiency will determine to a great degree whether or not we will have a more profitable year.

Although it is very unlikely there will be a boom of sizable proportions in our industries or industry generally it is just as obvious that any kind of a bust is also unlikely. This is true even if all indications and predictions based upon them prove to be unreliable. The greater emphasis being placed now by most industries on long-range planning has a stabilizing effect on the entire economy. Even though there should be a general feeling that business might not be good in any one coming year, there is always the realization that five and ten years from now the population growth and the general expanse of the economy will need added capacity and for that reason business goes ahead and expands regardless of current conditions.

This almost eliminates the old fear of a contagious retrenchment. This improved mental health of industry insures gradual growth, and as growth continues prices can be adjusted accordingly and profits are assured in the long range.

To sum it up, the overall feeling is that volume-wise our industries probably will sell a little more goods this year than they did in 1956 and we may make a little more money.

L. J. FAGEOL

President, Twin Coach Company

I believe that Twin Coach sales volume in 1957 will show an increase of at least 25% over the past year and reach a total of approximately $32 million.

This prediction is based upon a survey of the varied fields in which our company is operating, all of which seem to hold great promise for the coming 12 months.

L. J. Fageol

Twin Coach Aircraft Division in Buffalo has just completed extensive retooling and now possesses the greatest backlog in its history. Its activities are also being expanded by the recent establishment of a new aeronautical engineering division. The latter will enable us to take over aircraft contracts at the initial design stage, as we now have full facilities for original design engineering, lofting, conversion of preliminary to final plans, tool design, tooling and production.

Fageol Products Company, our engine-building subsidiary, has also just finished tooling and building up production to meet the steadily-growing demand for Fageol "44" marine engines. I am confident that boating industry sales in '57 will contribute greatly to our estimated increased volume and profits.

Our 1957 plans also call for an energetic sales campaign on Fageol "44" industrial power plants. In addition to the already established military use, there is a huge market for these engines in the construction equipment and farm machinery fields. They will, I am sure, provide us with additional product diversification as well as increased over-all sales volume.

FRED M. FARWELL

President, Underwood Corporation

We are looking forward to a period of good business during the entire year 1957. The office equipment industry, of which Underwood is a part, should continue to expand, and its growth is expected to be at a more rapid rate than business in general.

The regular products which we manufacture, such as typewriters, adding and accounting machines, continue to be in good demand and improvements are constantly being made to make these machines more efficient and to give the purchaser greater value than ever for his investment.

Fred M. Farwell

During the past decade the office equipment industry has entered a new era due to postwar developments in electronics and electro-mechanical devices. Commercial research and engineering has resulted in the perfection of numerous computers, high speed printers, and accounting machines. These new developments have led, logically and rapidly, toward automation and integration of office routines in order to reduce costs of record keeping, and at the same time provide management with more efficient control figures.

There is still much research, engineering and systems application to be done by office equipment manufacturers. However, established companies within the industry are well equipped to pursue these tasks. They are working in familiar territory based on experience and knowledge, developed over many years in providing what management needs for better control figures.

The squeeze in corporation profits will continue due to the increases in labor, taxes, transportation and other costs. Competition in most industries will become even more intensive and an increasing number of leading companies will seek cost reduction through the use of modern business systems.

During 1957, Underwood Corporation expects to expand sales of its regular line of Electric and Standard Typewriters, Adding and Accounting Machines. Also during 1957, we will complete commercial development of integrated data processing and electronic computer systems as represented by our Dataflo line, Elecom 50 and Elecom 125 Systems.

EDMUND FITZGERALD

President, The Northwestern Mutual Life Insurance Co.

The outlook for the life insurance business in 1957 appears to be very favorable. In investments available for our policyholders' funds, in new sales of our policies, and in the role we can play in helping to build and maintain a stable national economy, we look forward to a good and productive year.

Edmund Fitzgerald

With the forecast of an increase in the gross national product, larger sales and greater life insurance ownership this year will follow. The need for life insurance, unlike the need for many services and products in our economy, is a continuous one. Population increases projected for the coming years, and the economic growth of our nation in general, will open ever-broadening markets for life insurance sales.

Investment-wise, we can expect new demands and opportunities for the placement of our funds. Wise credit restrictions and other anti-inflationary factors will, of course, continue to limit the scope of life insurance investments. We do not expect to be able to take full advantage of the present attractive rates available in many investment areas, simply because the companies do not have unlimited funds for such wide placements. However, life insurance funds will continue to be available in substantial amounts. We expect to maintain and enlarge our share in helping to build the nation's productive facilities.

The serious challenge for life insurance, as for all other businesses, is the possibility of inflation. This can never be ignored in a boom period. In 1957, life insurance will continue to be a most powerful selling force against inflation. Under present-day conditions, every time an individual postpones a non-pressing expenditure and buys permanent life insurance instead, our country benefits, because excess and inflationary demand is reduced and new capital is created. Through this new capital, production facilities are created to satisfy growing demands in an orderly manner and to avoid inflation at the same time.

Many other challenges will face life insurance companies in the year ahead. For one thing, we expect keener and keener competition among the more than a thousand companies in the nation. Competition, always healthy, is an exceptionally good thing in the life insurance business. It means better service for more people and it provides a spur for wisdom and initiative in both sales and investments.

ANDREW FLETCHER

President, St. Joseph Lead Company

Of much greater importance than the current statistics of the lead-zinc industry is the outstanding fact that in 1956 the U. S. Government undertook the prodigious task of supporting the world market for these metals and has indicated its intention to continue to do so into 1957. This support has been provided by stockpiling lead and zinc, by outright purchase from domestic miners and by acquisition of foreign metal through barter for surplus U. S. agricultural commodities. The intention of this expanded stockpile program was to aid domestic producers of lead and zinc in order to maintain an "adequate mobilization base" in the United States. Actually the program has benefited domestic miners through supporting U. S. prices of lead and zinc, but it has benefited foreign miners even more through supporting world prices and by providing a ready market for surplus foreign metal.

Andrew Fletcher

With this support, lead held firm throughout the year at 16c per pound, and zinc maintained the 13½c price to which it had been raised early in January.

In lead, U. S. consumption for 1956 was estimated at 1,170,000 tons, down 3½% from 1955. Supply totaled about 1,286,000 tons, of which 350,000 tons came from U. S. mines, 500,000 tons from scrap, and 436,000 tons from imports. Domestic mine output was up 4% as against 1955, imports held the same.

In zinc, consumption reached about 970,000 tons, off

Continued on page 36

Continued from page 35

10.6% from 1955. Supply totaled 1,279,000 tons, made up of 1,057,000 tons of U. S. primary and secondary production, and 222,000 tons of imports, which increased 24.7% over 1955. The surplus of 309,000 tons of zinc supply over consumption is thus seen to be largely accounted for by unneeded imports of zinc.

The outlook in lead is for about the same rate of consumption, between 1,150,000 and 1,200,000 tons, with a probable decline in consumption for tetraethyl lead being offset by an increase in use for storage batteries due to increased automobile production. The outlook for zinc is for an increase in consumption for 1957 to at least 1,000,000 tons owing to probable increased consumption of galvanized steel and die-cast zinc.

The chief uncertainty in the outlook is, of course, the continuance of the U. S. Government's support of lead and zinc markets. The present indication is that the Government intends to continue its stockpiling program and its acquisition of foreign metals by barter. It is difficult to see how a program can strengthen the nation's "mobilization base" when it places domestic producers at the mercy, economically, of a Government purchasing program. Nevertheless, the Government has chosen this device for aiding domestic producers rather than the much simpler, more equitable, and potentially less troublesome device of an import tax on foreign metal. A Government policy to replace stockpiling as a means of assistance to domestic producers has been promised for early 1957. If this new policy is effective, and if the transition to it from the current stockpile program is handled smoothly, one can expect a continuance of the stable markets for lead and zinc experienced in 1956. In any event, sufficient lead and zinc will be available for all reasonable consumer demands.

HAROLD M. FLORSHEIM

President, The Florsheim Shoe Company

It is my belief that the future of business approaches 1957 with more uncertainty than we approached 1956.

It is true that the increasing population, high wages, full employment and the momentum of good business should carry us forward in the early part of 1957. This, of course, is based on the assumption that the world situation does not become more involved.

Harold Florsheim

The two factors affecting the probable high economic level of our business in 1957 are first, the psychological effect of uncertainty caused by the Middle East situation with the normal tendency to be conservative under such conditions and, secondly, the extension of credit on hard goods, accompanied by very attractive sales programs luring many individuals into purchasing these items and strapping their resources to the extent that they cannot buy a normal complement of soft goods. Our balance sheet then appears to have many sound assets and some liabilities. Of course the liabilities are of a rather uncertain nature but many today already show a definite trend. In my judgment, business in the early part of '57 will be similar in volume to what it was in 1956 but do not believe it will exceed '56 to any appreciable extent. This does not, of course, apply to every industry or to every line of goods as many, thru attractive sales promotion programs and alluring offers of merchandise may prosper contrary to the general trend.

BENJAMIN FOX

President, Elco Corporation

The field of electronics is growing by leaps and bounds. We, as components manufacturers, play a vital role in the development of this art. Our increased level of quality and reliability assures the user of trouble free operation of his equipment. Our flexibility allows the electronic engineer to make progressive changes to improve his product or create new ideas for new applications in heretofore unknown fields.

Benjamin Fox

However, being an infant industry, much financing is required for tools, dies and molds and continuous replacement of these as they wear out or become obsolete. With the present tight money situation, it becomes extremely difficult to navigate in the relatively rough seas of competition and large inventories, which must be maintained to give the customer the best service in delivery and price. Automation and mechanization is our solution to increased profits, which will afford us the opportunity of meeting the demands of our employees and paying dividends to our stockholders, as well as improving our product operation. The horizon in our field is vast and fruitful but at the same time treacherous, if approached in the wrong way.

In the radio and television fields, the competition is so severe that many of the companies began to realize that it was a losing enterprise. This is the reason why some of those who were leaders in the field just a short time ago gave up manufacturing these items.

This, of course, reflects on us as a components manufacturer. We are constantly influenced and forced by the end product manufacturer to reduce prices. Unless the industry comes to the realization that selling below cost is out, it will be committing wholesale suicide. Fortunately, the other branches of the electronics field are not as competitive as radio and television and this gives all of us an opportunity to make a fair profit and enables us to give our customer the service he deserves and that we can afford.

The future of electronics is only upward, as we have but scratched the surface of heights yet to be attained. We, as components manufacturers, are dedicated to the necessity of contant research and development to keep pace with the strides being made in the research and development centers of both government and industry. We ask only that our need for a fair profit of our products be recognized in return for steady advances in engineering and the highest reliability of components manufactured and sold.

A. L. FREEDLANDER

President, The Dayton Rubber Company

It is our firm conviction that the United States economy is basically sound and that nationally 1957 will be another good year. As a matter of fact, it could very well be a record year, exceeding this good year just closed by a few percent. All of the indices seem to point in that direction. This outlook applies especially to the rubber industry because rubber and allied products are now so indelibly woven into the nation's economy that this industry must be classified as both a basic industry and a growth one.

A. L. Freedlander

The ever-widening areas of research and development that the industry in general and Dayton Rubber Company in particular is committed to can only mean bigger and brighter horizons for 1957 and future years.

At Dayton Rubber, the past decade has seen us broadening lines of products through bold and aggressive research and development, modern merchandising, stepping up production capacity for all products, with automation where feasible, and strengthening our position in those fields of distribution we claim as our markets. With that kind of background and dedicated to the same competitive philosophy for the future, we can only be optimistic for 1957.

It is heartening to note that on today's national economic front, the U. S. has the largest productive capacity in our nation's history and the largest, most able work force. The scientific and technical skill of our people is greater than ever and constantly improving. Our standard of living—the possession and enjoyment of goods of all kinds—is at a new peak and still rising.

For the foreseeable period ahead, all signs seem to point to good economic sailing. The major impetus in 1957 should be the consumer whose insatiable demand for more and better quality products will probably push total U. S. output of goods and services to a new record high of $425 billion to $430 billion by next spring as compared to $410 billion to $412 billion for 1956. Other major sources of demand will also be important influencing factors. For example, an upward trend in government spending is already apparent.

We believe that the tight money situation will continue and, if anything, be still tighter, brought about by the Federal Reserve Board's fear of too great inflation. This will present some problems.

Although I am very confident for the future, I must sound one note of caution for 1957 and that is the ever rising annual spiral of wages, material costs and other increasing costs which have been adding up to nothing less than an ominous creeping inflation.

CHARLES E. FRENCH

President, Amsterdam Savings Bank, Amsterdam, N. Y.

The part of the country I am reporting on is the Mohawk Valley in central New York State. This part covers from Schenectady on the East to Utica on the West. It has been an industrial and farming section for many years. Through the valley runs the New York Central, four track railroad, and also the West Shore railroad. Between them is the Barge Canal and just adjacent is the new Thru-way extending from New York City to Buffalo. All this is attractive to those who wish to come and go.

Charles E. French

Through this part of the state, beginning with the General Electric in Schenectady there are many diversified industries. As a whole employment has been good for those that really want to work. About the only loss has been that part of the carpet and rug industry which has moved East and South. Yet their vacant buildings are slowly being taken over by new and smaller firms which in due time are off-setting the loss. A number of smaller industries is better for a community than one of large size.

The building of new homes is up to the average and we see no reason why it will not continue for another year.

The banking situation is good through this area as deposits have increased and there have been very few foreclosures.

The General Electric and the American Locomotive Company in Schenectady employ many people from the surrounding territory. The Mohawk Valley manufactures many articles which the people want and need, and the general opinion is that 1957 will be a good year.

ROY FRUEHAUF

President, Fruehauf Trailer Company

Last year was a record year for America's big over-the-road truckers—and they are expecting an even better year in 1957.

The more than 2,800 intercity truckers who are rated in Class I last year carried 345 million tons of freight—better than 4% above the freight figures for 1955. Their gross revenues totaled over $4 billion which was 9% ahead of the previous year.

Roy Fruehauf

With business expected to move along at a rapid rate, we in the massive trucking industry see no signs of a slackening of the pace. When you add the potentials of piggy-back (the carrying of loaded truck-trailers on freight railway car flat cars) and fishy-back (the carrying of loaded truck-trailers on steamships) the year ahead is one for optimism.

However, 1957 presents many challenges to America's trucking industry. Not the least of these will be the "tight money" situation which adversely affected sales of trucks and truck-trailers during the last half of 1956.

At the end of last year we saw signs of some easing of "tight money" through the efforts of President Eisenhower, his economic aides and the Small Business Administration. Whether this easing will be enough to bring about an even greater increase in trucking sales remains one of the big questions of this year.

B. C. GAMBLE

President and Chairman of the Board, Gamble-Skogmo, Inc.

Almost every important segment of business activity continues at record or near record levels. It is always difficult to forecast what will happen in an economy as dynamic as our own. It is even more so when important phases of our economy are moving in different directions. To evaluate to what extent they offset each other is at the best a precarious and most difficult thing to do.

B. C. Gamble

We are presently faced with two serious situations, each of which will have an important influence on industrial activity for the short range. The first is the unsettled situation in the Middle East. Although this is an external problem it will have a direct and important influence on our own economy. It is most likely that this influence will be with us for at least the coming six months as the problems are so involved and of such long standing that an early and satisfactory solution is virtually impossible. This presents an increasing drain on both our natural resources and our monetary reserves.

The other problem, which is confined to our own shores and affects almost all phases of business activity, is the tight money situation created by the Federal Reserve's monetary policies in an effort to keep our economy from entering into a serious inflationary spiral. There is no evidence, at least for the present, that this tight money situation has adversely affected our economy; at least, I see no evidence from our own experience that it has had an influence on our sales volume. There is, of course, a possibility that it might eventually slow down some instalment selling and certainly it will have a retarding effect on practically all phases of the construction industry. While the restrictive monetary action taken has created small headaches in some phases of our economy, it would seem to be far better to endure this for the moment than to run the risk of a runaway inflationary spiral that could bring on serious repercussions in our whole economy.

Probably the most pleasing thing that has happened the past year is the ability of our economy to maintain a steady level while going through what is commonly termed "rolling adjustments." This rolling type of adjustment has continued now for a number of years and it seems to have convinced businessmen that we may be through with the deep depressions and are now capable of correcting our maladjustments without serious declines. Certainly the long-range capital construction program of our larger industries must have been based upon this confidence in our future as evidenced by our own strength in meeting our current economic problems. It is with this same confidence that I look forward to our next spring season with a steady continuation of the present level of business activity in the aggregate.

Since most of our industries are operating at near capacity and our employment is at an all-time high, it seems unlikely that we will have any important further increase in business activity during the next six months. Even allowing for some moderate increase in our price structure and further increase in our work force, I would expect industrial activity to vary between a breakeven to a 5% increase over last spring.

WILLIS GALE

Chairman, Commonwealth Edison Company

Commonwealth Edison Company's construction program for 1957 calls for the expenditure of an estimated $180,000,000 for electric generating, transmission and distribution facilities and for general plant.

This total is the largest for any single year in the history of the Commonwealth system and compares with nearly $140,000,000 for 1956, which is the record year to date.

Willis Gale

Sales of electricity by the Commonwealth Edison system in 1956 are now estimated at approximately 18,700,000,000 kilowatt-hours compared with 17,507,000,000 kilowatt-hours in 1955, an increase of about seven percent.

Sales to industrial and residential customers showed the best gains of the major classifications, each increasing about 9% in 1956. Commercial sales were up about 8%. These gains were partially offset by decreases in sales to railroads and to other public utilities.

Commonwealth Edison carries on a continuous construction program, the nature and extent of which are based upon current and estimated future loads of the system. This program is subject to continuous review and revision to the extent necessary to meet changing conditions.

The program for the next three years includes, in addition to the $180,000,000 for 1957, $160,000,000 for 1958 and $120,000,000 for 1959. The $460,000,000 gross additions for the three years 1957-1959 consist of approximately $210,000,000 for electric generating facilities, $240,000,000 for transmission and distribution facilities and $10,000,000 for general plant.

The construction program includes the 180,000-kilowatt Dresden Nuclear Power Station to be built by General Electric Company 50 miles southwest of Chicago. Commonwealth and its associates in Nuclear Power Group, Inc., are paying General Electric $9,000,000 a year toward the $45,000,000 contract price. Ground breaking for the Dresden plant is scheduled to take place in the spring of 1957, with the completion date set for 1960.

Among other major projects in the Commonwealth program are a 260,000-kilowatt generating unit at Will County station near Lemont to be completed in mid-1957 and four other big units scheduled for completion in 1958 and 1959. The latter include a 205,000-kilowatt unit at Crawford station and 305,000-kilowatt units at Fisk station in Chicago, and the Waukegan and Joliet stations.

By the end of 1960, the net generating capability of the Edison system will approximate 5,300,000 kilowatts compared with approximately 2,300,000 in 1945.

OSCAR GETZ

President, Barton Distilling Company

The distilling industry looks forward confidently to continued moderate increases in consumption during 1957, following the trend established in 1955 and 1956.

The measure of this progress can best be taken through direct reference to sales statistics. In the 1947-1954 early postwar period, consumption of distilled spirits averaged 184 million gallons annually.

Oscar Getz

In 1955, consumption rose to 199.6 million gallons and in 1956, although final official statistics are not yet available, sales approximated 212 million gallons. We are of the opinion that 1957 consumption will approximate 225 million gallons and, very possibly, may exceed that amount.

In the limited space available, it is not possible to discuss all of the factors that have led to this much more favorable industry outlook, but two points are of particular interest and importance:

(1) The moderate rise in consumption has come about while, paradoxically, our nation has become more temperate. Changed patterns of living, placing new emphasis on entertainment, are responsible for this. There is solid evidence that a greater percentage of adults now use alcoholic beverages in moderation and that while they are drinking less "per occasion," the number of occasions upon which distilled spirits are used in an average year has increased.

(2) While there have been many notable sales developments, including the trend to "diversification" (in itself an indication of emphasis on entertainment), the most sensational postwar development in our industry has been the pronounced new swing of consumers to Kentucky bourbon.

Kentucky straight bourbon has always enjoyed a reputation as premium whiskey, but its prestige in this connection has obviously greatly increased since the war. In 1955, as compared with 1947, total United States withdrawals of whiskey (from all states where whiskey is produced) rose 15.6 million gallons. But in 1955, as compared with 1947, total Kentucky whiskey withdrawals rose a full 18 million gallons. This latter figure, incidentally, exactly matches the increase in over-all consumption between 1947 and 1955.

The foregoing factors sum up the most meaningful developments in the industry since the end of World War II . . . the developments that indicate continued expansion in the years ahead.

Distillers have been quite successful in adapting their promotional practices to the new emphasis on entertainment, another factor which encourages a bullish outlook toward the future. Advertising schedules have been increased, the desirability of being a "good host" or hostess is being stressed and such new drinks as the popular "Suburbonite" are being vigorously promoted.

Several distillers have in recent months slightly increased their prices, the first such rises (other than because of increased taxes) undertaken since Repeal. While these increases barely cover increased costs of the last year, let alone those since the end of the war, they do help to place the industry on its soundest financial footing in years. In view of this, and the likelihood that 1957 sales figures will represent an increase of from 20 to 25% over the 1947-54 average, it is quite obvious that distillery investment values have appreciated considerably and are likely to continue this solidly-established trend.

A. C. GILBERT, JR.

President, A. C. Gilbert Company

With end of the year figures for 1956 showing toy sales at record levels, the entire toy industry looks forward to an expanding market for 1957. Many companies are already in operation on plans for production increases. The A. C. Gilbert Company, with its engineering and scientific toys and its American Flyer trains, is one of the companies planning such expansion.

A. C. Gilbert, Jr.

Gilbert closed the year 1956 with a volume of approximately $15,000,000, a 17% increase over 1955. Our 1957 goal is an additional 10% increase in toys and electric trains. It is a goal we feel is indicated in the same trends which made 1956 a good toy year.

High consumer income, high birth rates, and larger families are certainly continuing positive factors for toy manufacturers. Equally important to manufacturers of trains particularly is a marked and growing trend to family-oriented activities in which parents and children share hobbies in everything from wood working to model railroading.

In addition, the tradition of a first train as a "big" gift investment for a boy (usually made between the ages of four and eight) is encouraged by high incomes, more family leisure and the move to suburban homes with increased play area for children. With over 500,000 American Flyer layouts already in American homes, the crop of "first train" children continues to grow.

"HO" guage trains, re-introduced by our company in 1955, should also show continuing increases in 1957 as the expanding hobby market introduces more older boys and men to the country's second largest adult male hobby —model railroading.

Scientific and engineering toys, we feel, will enjoy an upswing in 1957, a natural result of a two-year campaign by government, business and industry to develop interest in these professions. Schools have introduced science courses into grade levels. Parents are more keenly aware of needs and opportunities. The end result is an eager market for interesting, scientific toys.

To answer this need the A. C. Gilbert line of chemistry and microscopes has been completely redesigned and has been newly packaged to give the products maximum child appeal. Microscopes have already proven efficient enough to be used in classrooms, and have been so used.

Erector sets, still the leading boys' toys in a virtually neglected age bracket, will also feel the impact of the growing emphasis on science and engineering. In filling the demand Gilbert in 1957 will use enough steel to build a respectable skyscraper. An interesting sidelight is the growing use of Erector for industrial design. As increased production costs make model development prohibitive, many companies have found Erector models effective.

New and better packaging, increased use of point-of-purchase selling aids, and further promotion of year round selling, all trends in 1956, should continue important in 1957. Gilbert's packaging of a complete "HO" layout in one set, for example, was certainly an important factor in enabling us to re-enter the hobby market so speedily and effectively in 1955. In 1957 six "HO" ready-to-run train sets will be available, as well as individual units.

For 1957 dramatic new packaging and new point-of-purchase aids have been designed to encourage sales of the important scientific toys. It is hoped these will be useful in encouraging sales during the back-to-school period as well as for Christmas.

Although discount houses have in many cases altered toy sales patterns, most toys will continue to sell well not only in these retail outlets but in the traditional department and toy stores, plus hobby, jewelry, hardware and even large drug stores. In all these areas toy departments will probably receive more-than-usual attention and space outside the Chirstmas season.

To aid toy and department stores to meet discount competition in 1956, The A. C. Gilbert Company provided specially assembled train sets at competitive prices. This device, plus more in-store displays and promotions will be encouraged not only by Gilbert but by most major manufacturers.

The A. C. Gilbert Company looks forward to 1957 as a highly promising year—one in which expertly-made and carefully engineered instructive toys will assume increasing importance.

S. A. GIRARD

Vice-President and General Manager, Willys Motors, Inc.

Those of us in the light truck manufacturing industry look forward to a continued high level of production and sales during 1957 with volume equalling or exceeding that of the past year. At Willys Motors we are particularly confident, especially because of the enthusiastic reception given the new series of "Forward Control" models which are being added to our "Jeep" family of four-wheel drive vehicles.

S. A. Girard

Our forecasts are based largely on the outlook for a continuance of the thriving economy which the nation has been experiencing. Aside from the threat of credit restrictions, there is little of significance on the economic front to indicate that Willys and the light truck industry will not continue to benefit from this healthy economic climate.

A sizable proportion of our annual Jeep production is marketed overseas, and we expect to achieve substantial gains in export shipments throughout the free markets of the world. Establishment of new plant facilities in Brazil and Argentina will enable us to increase our volume in South America considerably.

Among the broad and most favorable factors in our domestic business are the nation's huge road building program, expansions throughout the public utility industries, and the sustained upward trend in the gross national product.

More specifically, the nine primary markets which provide the greatest demand for Willys four-wheel drive "Jeep" vehicles are in a generally expanding condition. These nine major markets—natural resources industries, farm, automotive, construction, rural (non-farm), government, public service, manufacturing and the building trades—are continually engaged in seeking lower costs and great utility from the vehicles used in their operations. These vehicles represent a considerable capital investment and their purchasers are constantly demanding more from them. "Jeep" power, since it provides versatility for a variety of chores and capacity for both on-the-road and rugged off-the-road operations, is gaining an important position as the answer to cost savings in transportation and is an important factor in maintaining Willys' position as the world's largest producer of four-wheel drive vehicles.

LEONARD GREEN

President, Dr. Pepper Company

The rise of the American soft drink industry within the last decade has been truly significant, although several other industries have grown even more rapidly. It is our sincere belief, however, that soft drinks, a billion dollar a year business, are just now beginning to build up a full head of steam.

Leonard Green

Two factors are responsible for this outlook. They are price and packaging.

In the past two years, soft drinks bottlers have enjoyed, and justifiably so, increased profits due to higher wholesale prices in many areas. It is significant that the price "breaks" have been prevalent in heretofore solid pre-World War I price areas such as North Carolina, Alabama and other parts of the South. Less than two decades ago, well over half the soft drinks sold in this country, were sold at five cents retail. Today less than 10% are sold at this price.

This means that the franchised bottler has a better profit margin to work with and, therefore, has more money to invest in the marketing tools which are essential to the progress of this business.

Some people have voiced the belief that soft drinks are approaching a saturation sales point. Nothing could be further from the facts.

We know, for example, that Americans consume less than one bottle of soft drinks every other day during a year, on the average. It is not unrealistic to believe that this could be increased to one or more every day—doubling or trebling sales. The growing youth population, and the fact that the youth market is the largest segement of our overall consumption pattern, plainly shows that the potential is there to be captured. This brings us back to our price situation, for with more profit available for investment in the essential marketing tools, the better prospects we have of quickly expanding our market.

The trend of informality in American living — the backyard chefs and increased outdoor activities present new opportunities for soft drinks at every turn.

The second factor which holds much promise for 1957 and future years is in the field of packaging. For several years, other food products, commodities and related items have been available in a variety of sizes. In our industry, especially among the major brands, only one size of bottle has been offered the consumer. How radically this has changed can be pointed up with our own Dr. Pepper Company.

Until 1954, our product was marketed exclusively,

Continued on page 38

Continued from page 37

save for the cup and fountain sales, in regular 6½ ounce bottles which had to be returned by the consumer. In 1956, in various areas of the country, Dr. Pepper was purchased in 6½ ounce and 10 ounce cans, 6½ ounce, 10 ounce, 12 ounce and 26 ounce glass bottles and 26 ounce "throwaway" bottles. Because we now have a package that fits practically every market need, we are creating new drinkers for our product, thereby increasing our sales.

With this background for growth within our own industry and with a strong, growing national economy, soft drinks undoubtedly will move forward at a faster pace in 1957.

WILLIAM L. GREGORY

President, Easton-Taylor Trust Co., St. Louis

For several years now I have been concerned about the increasing amount of inflation in our economy. There has been an obvious effort on the part of the government to prevent any disastrous reaction and to continue this inflation in a gradual upward direction without creating enough inflation to precipitate serious difficulties. Up to this point the monetary authorities have been successful. I had not expected that they would go as far as they have but from the pressure on the money supply, as reflected in the current shortage within the banking system, and the continued increase in the indexes for the turnover of bank deposits, it seems to me that we have at last reached a point where something must be done to control the dangerous spirals which are always present at the top of a prolonged boom.

William L. Gregory

It is my sincere hope that the Federal Reserve Board and others concerned will be able to control the inflation we have but I think it is dangerously high and certainly I would look for tight money for the better part of 1957 with the possibility of considerable reduced business activity, particularly in real estate and building, and in the heavier lines of consumers' goods. I think that the real estate market has been over-extended through the excessive use of credit made available by government guaranteed loans and the operations of certain types of mortgage lenders. This is a good time for borrowers to get out of debt and for lenders to police and secure their loans.

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corporation

Indications are that 1956 sales for the brewing industry will be slightly ahead of 1955, although final figures for the year are not yet available.

With some few exceptions, however, earnings for breweries have not measured up, due, primarily, to constantly increasing costs. During the past few years, breweries have been faced with rapidly rising costs of production and distribution, as well as heavier local and state taxes, while forces of competition have tended to hold prices stable. The result has been a constant squeeze on profit margins.

In an effort to ease the pressure profits, the industry effected some minor price increases in 1956, but the increases obtained were primarily on the can and one-trip bottles packages and did little more than offset the increased prices of the containers.

The industry sales outlook for 1957 is what might be termed cautiously optimistic. Population growth, together with growing numbers of persons in over-21 age groups, are expected to contribute to a rise in consumption. In 1955 a 10-year downward trend in the number of persons entering the adult market was reversed and this, combined with a continuance of the general prosperity the country is now enjoying, is expected to favorably influence industry sales.

Although the industry can look forward to a slight increase in sales in 1957 and greater increases in the years ahead, it will continue to have to live with the problem of rising costs. In addition to anticipated increases in costs of materials, automatic labor rate increases, negotiated last year, will affect most brewers in 1957. Proposed freight rate hikes are also bound to be reflected in additional costs for both the brewer and the wholesaler.

As brewers seek ways to offset these persistently advancing costs in order to improve profit margins, they will continue to place emphasis on greater productivity and use of the most modern machinery and equipment. Other solutions, however, must be found to offset the rising costs of marketing and distribution.

One current trend in the industry is that of a regional marketing approach, whereby companies buy or build plants in strategic geographic locations and effect savings in costs of transportation. Falstaff Brewing Corporation pioneered this regional marketing approach in 1935 and, with acquisition in 1956 of plants in Galveston and El Paso, Texas, now operates eight breweries in seven U. S. cities. Other leading breweries have followed this pattern.

As long, however, as the industry is plagued by a situation in which the supply or capacity far exceeds the present demand, it will be increasingly difficult for any but the most aggressive companies to continue to progress.

Falstaff, although generally faced with the same problems as the industry as a whole, is in an exceptionally good position to maintain its rapid rate of growth. Our company's policy of selective penetration of regional markets moved it into fourth place in the industry in 1955, although our product was distributed in only 27 states, and we continued to make substantial gains in 1956. With a vast market potential still untouched, Falstaff looks to territorial expansion, including large metropolitan areas, for strong growth possibilities in the future.

THOMAS J. GROOM

President, Bank of Commerce, Washington, D. C.

Nineteen hundred fifty-six has been a banner year. I expect this to extend well into 1957. Businessmen appear to be optimistic, employment is high, personal income is the best on record and inventories appear to be in satisfactory condition.

Prices will no doubt be higher and because of higher prices, profits will possibly be lower. I think we can expect keener competition than was experienced during the past year, but this will not affect business conditions, employment, or production. It merely means that the consumer will do more shopping in order to obtain the best value for the dollar he spends.

Thomas J. Groom

I see no change in the so-called "tight money" policy of the Federal Reserve Board, which policy incidentally I regard as thoroughly sound. "Tight money" and higher interest rates may and probably will have a dampening effect on plant expansion and capital investments. This means postponement of many such programs, but this shouldn't affect the overall business outlook based on the overall present business volume.

Bank loans have risen substantially and, while they may be reduced somewhat in the early part of 1957, I think we shall experience a high demand for loans for sometime in the foreseeable future. As indicated above, rates will remain high; however, they could level off smewhat when funds begin to return to the bank early in the new year.

Probably the most favorable factor in the current business situation is "confidence." It appears to me that business as such is proceeding on a normal basis and that businessmen in general, as well as consumers, have been conservative and have "kept their feet on the ground" so to speak. I, therefore, look upon business as being on more or less an even keel and I expect this to continue well into the 1957 period.

Any statement on the outlook for business and financial conditions, must be made on the assumption that we will not become involved in any war. Our economy would be seriously affected by any such event; in fact, in such a situation, it would naturally be the dominant factor affecting business conditions.

In making this prediction I feel that we should proceed with a great deal of caution. Inflationary dangers are confronting us at all times. We must keep constantly in mind that there will be soft spots and that much of the dollar volume of production figures and wage income will represent higher prices and increased costs. We must further bear in mind that we have been moving along at a rapid pace for several years and that ultimately a leveling off period is to be expected.

H. FREDERICK HAGEMANN, JR.

President, Rockland-Atlas National Bank of Boston

The year 1957 is making a very auspicious beginning, particularly as to volume of production and number of people employed. The economy generally is at a new all-time high and the forward momentum is tremendous. Most economists and forecasters are extremely optimistic and it must be admitted that there are not many signs to indicate the boom is running down. There are, however, certain adverse factors that in the current enthusiasm should not be overlooked in appraising the present business situation.

H. F. Hagemann, Jr

(1) **Shortage of Savings:** Booms to keep going take increasing amounts of credit. I cannot see on a purely arithmetic basis how the insurance companies, the savings banks, the building and loan associations or the commercial banks can increase their loans as much in 1957 as they did in either 1955 or 1956, much less increase them more this year. Although all these institutions are endeavoring to stimulate savings, it takes time to accumulate large sums.

(2) **Shortage of Materials:** Even if the increased amounts of credit were available, as the result of increased savings, the economy in 1957 faces a limitation in that in many lines we are already using all available material and the supply cannot be quickly increased. Examples are the current shortages in cement, nickel and certain types of steel.

(3) **Shortage of Labor:** Let's assume further that both credit and materials were not scarce, the economy in the year 1957 would still be pushing against a manpower shortage. In my opinion, we already have overfull employment with many job vacancies currently going unfilled.

(4) **Danger of Artificially Created Credit:** The Federal Reserve Banks are carrying on a program of active restraint and rightly so. For the Federal Reserve to supply additional credit and ease money under existing conditions would not get any more goods produced or put any more people to work, but would merely add to the already strong upsurge in wages and prices.

(5) **The Federal Reserve Banks' Basic Duty:** There is another reason why restraint on the part of the Federal Reserve Banks is called for and that is that they carry the primary reserves of all the member banks of the Federal Reserve System and as such are a banker's bank. The Federal Reserve has its own balance sheet to watch and its own ratios to worry about. The Federal Reserve authorities must on occasion give consideration to the fact that as keeper of the banking reserve of the entire country, that its prime duty is to conserve its lending power in boom times so as to be able to help with loans to its member banks in times of emergency.

While we are off the gold standard internally, foreign governments and foreign central banks can get gold for their dollars or dollar obligations. If they should feel that this country was embarking on an inflationary spree which was bound to result in further devaluation of the dollar, they might well begin drawing down on our gold reserve, which action if persisted in could make it financially embarrassing for the Federal Reserve Banks and the United States Treasury. The threat of substantial foreign withdrawals might at some time in the future force the Federal Reserve Banks to adhere to a stiff policy of restraint at a time when the domestic economy might be in a recession period that would ordinarily warrant some easing of money. Even the Federal Reserve Banks and the United States Treasury are ultimately subject to the basic laws of economics as these laws apply world wide.

(6) **The Squeeze on Profit Margins:** There was increasing evidence in 1956 that profit margins in many lines were narrowing. This tendency looks like it will continue into 1957. Due to keener competition between firms and due to increased resistance on the part of the public to price increases, it will continue to be difficult to offset increased costs of wages and materials by increased selling prices. The full year 1957 may well turn out to be a big volume year with smaller profits.

(7) **The Russians and the Middle East:** The threat of possible armed aggression by the Russians in various parts of Europe and the Middle East is bound to be a factor to consider. The Russian leaders may move abroad out of weakness to save face at home. Not likely but still a possibility would be a revolution in Russia that would eliminate them for the time being as a strong potential enemy. This would in turn have its effect on defense spending. In other words, the Russians remain unpredictable.

(8) **The Suez Canal Closing:** The closing of the Canal has hurt world trade and disrupted the economies of many European countries. It has slowed down the distribution of raw materials and finished goods and increased their costs. Certain industries like our domestic oil industry and shipbuilding have benefited, but the net overall effect is detrimental to business the world over.

I do feel that some of the current optimism should be balanced off by a sober realization that a great deal of our prosperity today is based on the economy continually going deeper and deeper into debt. The equity position of many corporations and some individuals is fairly thin and the over all situation today calls for more capital and savings and less borrowing. Conditions during 1957 may well call for unusual flexibility in management. It may become necessary to call off or slow down expansion plans as profit margins narrow further or as credit becomes tighter. Both for banks and business generally this is no time, in my humble opinion, to neglect liquidity and no time to get over-extended.

F. S. HALES

President, Nickel Plate Road

Optimism pervades the business outlook for 1957, although certain imponderables could temper the present brightness of prospects.

Tensions in the Middle East and Europe, the overbuilding of inventories, tightening of credit and inflationary wage demands might refute early predictions. However, prospects of war had diminished as the new year started and the signing of long-term labor agreements in some basic industries may, in some degree, protect the economy against new and excessive wage demands.

Felix S. Hales

Supporting optimism in 1957 are expectations that the Gross National Product will continue to grow and reach a new record; that steel production will rise; that the output of automobiles will substantially surpass that for 1956, and that a 10% increase in industrial construction will offset a decline in homebuilding. Moreover, employment remains at a high level; consumer spending for non-durable goods continues to rise, and the population growth constantly creates a greater demand for these goods.

As a result of these conditions, which appear likely to endure at least through the first half of 1957, the railroads anticipate a modest increase in the volume of business over that handled in the year just ended.

The expected increase in revenues does not mean that the financial position of railroads will improve proportionately, however. Increased operating expenses and taxes in 1956 more than offset gains in operating revenues for the railroads as an industry. Preliminary reports indicate that net income of Class I railroads dropped 5.6% last year, and the rate of return on net investment declined from 4.22% to 3.95%.

Wage and tax pressures on profits threaten the railroads' ability to carry out improvements which are needed to handle the mounting volume of traffic to the satisfaction of customers.

In the face of these constant needs for improvement and modernization of railroad properties, three-year contracts were signed late last year with several of the brotherhoods. These contracts call for wage increases in each of the years covered by the agreements.

Like all other industries, the railroads must seek a higher price for their services when the costs of business rise. The eastern railroads recently petitioned the Interstate Commerce Commission for an emergency freight rate increase of 7%, which was authorized. An earlier request for a 15% freight rate increase still is pending before the Commission. Such additional relief is essential if the railroads are to be permitted an opportunity to improve their rate of return on investment and thereby take their proper place in the national economy.

In the 17-year period from 1940-1956, both inclusive, the Nickel Plate has spent approximately $200,000,000 for new equipment and roadway facilities. In the past year the company has acquired 500 new box cars, 35 diesel locomotives and 50 piggy-back trailers in pursuit of its equipment modernization program. Orders have been placed for 36 additional diesel locomotives and 100 seventy-ton covered hopper cars, to be delivered in 1957. This equipment alone will cost more than $8,000,000.

While railroads require a further increase in freight rates to carry on improvement programs, another basic need is a modernized transportation policy such as is recommended in a report from the Presidential Advisory Committee on Transport Policy and Organization. The railroads also seek the removal of taxes amounting to 10% on passenger travel and 3% on freight shipments in the belief this would encourage greater use of the railroads.

CHARLES W. HALL

President, The Oneida National Bank and Trust Co. of Utica

During 1956 the industrial activity for the area known as the trading area of Utica, N. Y., has been at a very high level. Not only have the industries located in this area been on an ever increasing level of production but during the latter part of 1956 one of the nation's leading corporations announced that they were going to open an important unit of production in the Utica area.

Charles W. Hall

This level of industrial production has only been posible due to the substantial increase in the number of people on industrial payrolls. The combination of these circumstances has caused residential building to be at a high level and the volume of retail sales has been in some instances at a new high and in other instances holding the level of 1955.

As we move into 1957 the construction industry, reflecting industrial plant, supermarkets, centers and additions to Central Schools, is such that the industry will be moving at capacity levels during all of the year.

The orders on hand for industrial production give indication of the continuing high level of employment for 1957.

Agriculture, which is an important item of commerce in this rich agricultural area, has been at a better level than in the past and hopes for improvement during 1957.

In the "heart of the Empire State" the tone of commerce is the best in its history and 1957 gives indication of being a year of good business from all viewpoints. This estimate of the trend is, naturally, very closely related to the national pattern as the industry in this area is now a part of national corporate interests and our success cannot be but only as the country prospers.

JOSEPH B. HALL

President, The Kroger Co.

Better products and improved service, offered in more convenient locations, will be characteristic of the retail food business during the coming year. Larger stores, increased sales volume and greater corporate expenditures also are in prospect for 1957.

None of these seem new to the field, as each will continue trends already established. However, the rate of acceleration in the popularity of "food department stores," either as a unit of shopping centers, or as individual stores with ample parking areas is expected to increase.

Joseph B. Hall

Of special appeal to the woman customer is the convenience aspect of shopping centers, which frequently include a bank, cleaner, clothier, and variety, hardware, and drug stores. If she can buy all of her family food needs and do other necessary shopping on a one-stop basis in a free parking lot, she will be doing it in increasing thousands every year.

The Kroger Co., in common with other food chains, is fully aware of this development and is capitalizing on the trend. In 1956, we opened 140 new stores, and plans call for some 150 new openings next year. At the same time, we are closing many of our smaller, less profitable outlets. This results in increased efficiency, lower operating costs and consequently makes possible lower consumer prices. Last year we had an average of 1,475 stores operating in the 21 states we serve in the Middle West from the Canadian Border to the Gulf of Mexico. At the close of 1955, the figure was 1,612 stores. Since sales and profits increased in 1956, the economics of this policy is obviously sound.

The increased sales shown on Kroger's books are perhaps typical of those recorded by the more successful supermarket chains. Our 1956 gross (estimating receipts for the final four-week period) is in the neighborhood of $1,480,000,000, a substantial increase over the 1955 total of $1,219,474,812.

Our capital expenditures during 1956 for stores, warehouses, transportation equipment, manufacturing facilities and other miscellaneous expansion will amount to $40 million. For 1957 we anticipate a total capital expenditure of around $46 million.

In this ever changing business, methods of financing also are undergoing a change. The decreasing availability of money for investment already is exerting a limiting influence. We know of many cases where prospective builders of supermarket stores or shopping centers simply cannot obtain the necessary funds. As a result, most leading retail food firms are planning to increase the scope of their own store and warehouse financing—even to including complete shopping centers in some instances.

We at Kroger recently announced the formation of an affiliated real estate company, Gromarco, Inc., to own Kroger-leased properties. Gromarco has sold over $12 million of 4½% 25-year real estate secured notes to finance our store construction program.

With the general upward trend of our economy and the continuing increase in the population, it is difficult to foresee anything but continued prosperity for business firms which are flexible and responsive to current trends, especially those serving basic needs such as food.

CARL S. HALLAUER

President, Bausch & Lomb Optical Co.

In 1957, the optical industry should record its greatest sales volume of any peace-time year. Attaining this level, however, will be a real challenge in view of the advantage in labor costs enjoyed by foreign competition in many lines.

Carl S. Hallauer

At Bausch & Lomb we look to the constantly expanding use of optical systems by industry, in its trend toward miniaturization and automation, to stimulate sales of our entire scientific instrument line.

Further impetus to microscope, metallograph, spectrograph, and diffraction grating sales will be added by the growing number of atomic research programs and by the equipment demands of scientists working on International Geophysical Year projects. Our photogrammetric volume should also benefit from the extensive aerial mapping required by the new Federal highway program.

Eyewear sales show every indication of a continued industry-wide advance in 1957. The professional people serving the public are better equipped than ever before for testing and fitting patients with quality lenses in frames styled for every occasion. Coupled with the heightened public awareness that, today, one pair of glasses is not enough to meet all the visual and fashion needs of an individual, this should help boost the overall ophthalmic volume considerably above its 1956 level.

Major goal of the industry in the year ahead is the intensification of our process improvement programs and the recruitment of increasing numbers of technically-trained scientific personnel to insure continued American leadership in both the design and quality of optical products.

A. L. HAMMELL

President, Railway Express Agency, Inc.

Our survey of various basic factors for the year ahead leads us to an attitude of optimism, particularly with respect to the first half of 1957. The factors of strength we see ahead include an even higher general purchasing power than in 1956, a rate of construction activity, both industrial and governmental, which will be running above 1956 levels with a resultant high rate of steel production.

A. L. Hammell

If there are any weaker spots in the economy they are likely to include: the household appliance industry, in which record production in 1956 has led to an excessive inventory situation; a continued lower rate of residential construction, unless loan capital for housing is made available at lower rates; and, a continued reduction in agricultural buying power because of the lower ratio of farm prices to the general industrial price level.

As to the outlook for Railway Express, a continually higher rate of retail and department store sales should be reflected in increased express traffic. Similarly, an accentuated market for the automobile industry, which was hampered during the fall, not by lack of demand but mechanical difficulties in the plants, should be reflected in greater movement of automotive parts by express.

We foresee a year which will be at least as good and possibly even better than 1956 when the express shipment and revenue volume was substantially better than in 1955.

During 1957 the express business will gain to an even greater degree the growing benefits of the various phases of its $70 million expansion and modernization program begun in 1953 and 1954. A higher percentage of the company's vehicle units has been replaced. By the end of 1960, it is expected that every unit will have been supplemented by new, and more efficient equipment in accordance with a new six-year replacement policy for each truck and tractor, and 12 years for each trailer unit.

New, or modernized terminals at key points throughout the nation; millions of dollars of new materials handling systems and equipment; two-way radio operations, both on trucks and on terminal tractors at a number of points; electronic business machines and computer and data processing units; and the delivery beginning in 1957 of the second order within two years for 500 fast refrigerator rail cars for passenger train service foreshadow even more efficient express operations attracting a growing volume of traffic to both rail and air express services.

Despite rises in other operating expenses, savings resulting from more fully mechanized and more efficient operations in the physical handling of shipments are expected in 1957 to enable the Agency to pay to the railroads toward their costs in handling express amounts more closely proportional to the substantial increases experienced during 1956 in shipments and gross revenue.

The significant rapid development during 1957 of the Agency's single-carrier international services linking 23,000 communities in the United States with important origin and destination points, on all continents, elsewhere in the free world, on a through negotiable export bill of lading, similarly is expected to accelerate the growth and progress of the 118-year-old private express industry.

While 1957 will be a year of challenge, it also is seen as a period of not only opportunity, but sound growth for an industry which for so long has diligently served the best interests of the nation and its people.

CYRIL S. HART

President, Boston Insurance Company

The Stock Property and Casualty insurance industry, in step with the high level of the economy, recorded an increase of approximately 5% in premium volume during the past year. From the standpoint of underwriting profit, however, 1956 was most discouraging. It is not expected that a high percentage of all lines written will be unprofitable in any one year; however, occasionally this does happen, and 1956 was one of those years in which the great majority of lines returned unprofitable underwriting results.

Cyril S. Hart

Underwriting losses were brought about primarily by inadequate rates, particularly in the Fire and Automobile classifications. The chronic inflationary progression in our economy has made it increasingly difficult to secure rates which are adequate for the period of exposure. Automobile lines, in addition to the effect of inflationary pressure, have also felt the impact of increasing accident frequency and severity. This loss trend in the Automobile line was dramatically illustrated by the carnage wrought on our highways over the recent holiday period. Competition for the mass market of individual policyholders grew increasingly more intense during the year and held down to some extent the pressure for needed rate increases. Heavy wind and hail storms throughout the mid-continent, in addition to a number of spectacular losses, such as the "Andrea Doria"-"Stockholm" collision, the Brooklyn Pier fire and explosion, and the conflagration in Southern California, added to the underwriters' woes in 1956.

One of the most important events occurring during the year was the passage of compulsory automobile insurance legislation in New York, the effect of which is already making itself felt throughout the country. The development of standardized multiple line coverage for commercial property and the further refinement of package policies for home owners continued the trend toward more comprehensive types of cover.

All present predictions indicate a generally higher level for our economy during 1957 and the volume of premium written will increase in line with this growth. As a result of rate increases, there should be an improvement in underwriting results, although the effect of such increases on the 1957 year will depend to a great extent on the speed with which they are promulgated.

It is encouraging to see signs of real activity on the part of government and increasing interest in the public generally in the field of highway safety. If a real safety program is vigorously pursued, it will have a decided effect on the automobile loss situation. On the negative side of the picture, however, it appears that the cost of repairs for the new 1957 model automobiles will be at least 7% over those costs for 1956 models.

The expense of handling the large amount of detail work which is required in the insurance business will be cut by the use of new electronic machines now being made available in sizes which even the smaller companies will be able to afford. A continuous reduction

Continued on page 40

Continued from page 39

in overhead expenses should result from the trend toward automation.

The results of the insurance industry must be viewed from a long-term perspective, for the business is subject to cyclical action resulting from the adjustment of rates as the industry moves through periods of profit and loss. Insurance protection stands at the very foundation of our free economy and over a period of years will show profitable results. The long-term outlook is very favorable and the year 1957 should begin a trend toward a more profitable underwriting cycle.

JAY SAMUEL HARTT

President, Middle West Service Company

The electric and gas utility industry experienced another year of good progress in 1956. I look for a continuation of the present rate of growth in 1957. Probably the most unfavorable factors confronting the industry are the tight money supply and the upward trend of operating costs, both of which tend to require rate increases. These two factors, however, are not solely confined to the utility industry as they will have a bearing upon the entire economy of the country.


Jay Samuel Hartt

Energy sales of investor-owned electric utilities in 1956 increased about 9% to approximately 470 billion kilowatt-hours. Another gain of about 9% is expected in 1957 and total sales should be slightly over 500 billion kilowatt-hours.

The entire electric utility industry's peak load in December, 1956 was close to 110 million kilowatts, which was up about 8½% over the previous year's peak. Because additions to generating equipment were only 6.3 million kilowatts in 1956, the margin of reserve plant capacity dropped to about 15½%, which was the lowest since 1952. The peak load in 1957 is expected to increase again by approximately 8½% to almost 120 million kilowatts. The reserve capacity, however, should remain at about the same amount since a similar increase is expected in new generating and other equipment. Reserve capacity should not be critical except in the Pacific Northwest where a margin of only 2% is anticipated under average hydro conditions.

Revenues of investor-owned electric utilities increased about 9½% in 1956 to a new record of $7.9 billion. This year should see another 9½% gain to approximately $8.6 billion. The good past trend of net earnings should continue into 1957, however, the rate of increase may fall below recent experience of about 10% per year due to higher operating and money costs. Earnings available to common stockholders in 1957 should total about $1.3 billion, as compared to $1.2 billion in 1956, and would represent about 15% of total operating revenues.

Gas utilities also continued to show good growth during the past year when industry sales, excluding sales for resale, amounted to 72.3 billion therms. The 8% rate of growth in the past few years should prevail through 1957 to produce sales of about 78.0 billion therms. Total gas utility revenues are expected to exhibit another increase of approximately 12%, from $3.8 billion in 1956 to about $4.28 billion in 1957. Almost two-thirds of the revenue gain should result from greater residential space-heating. Net income available to common stockholders of gas utilities should approximate $428 million, an increase about matching the 12% revenue gain, but here again higher costs could squeeze the average 10% margin carried down from operating revenue.

To meet the anticipated demand for 1957 and subsequent years, investor-owned electric utilities will continue to make large outlays for plant additions. Construction in 1955 totaled about $2.7 billion and approximately $3.0 billion was scheduled for 1956. Because of delays resulting from material shortage and from strikes, the amount expended during 1956 may not have reached the planned $3.0 billion, but any balance would represent carryover into 1957. Nevertheless electric utility construction is expected to be up 10% in 1957 and should total at least $3.3 billion.

To finance the 1957 expenditures, investor-owned electric utilities are expected to raise approximately $2.15 billion new capital, and generate the balance of $1.15 billion from internal sources. Although the prevailing money market will, of course, determine what form of securities will be sold in 1957, probably two-thirds, or about $1.43 billion, of the new capital should be debt securities and the remainder of $720 million equity issues.

Gas utility construction expenditures planned for 1957 are about $1.9 billion which betters the 1956 record outlay by $.3 billion. To finance the anticipated construction, approximately $900 million debt and $350 million in equity issues are expected to be offered. These amounts will also be dependent upon money conditions. The balance of $650 million, or about 35%, would come from internal sources.

Probably the most significant factor for the public utility industry during 1957 will be its competition with other segments of the economy for the short supply of money. Money costs are expected to average the highest for many years. Other cost increases resulting directly from the wage patterns established last summer and from shortages in critical materials such as steel will also be reflected in the income accounts of electric and gas utilities. Because of these pressures, the year 1957 should see the preparation and initiation of applications for numerous rate increases.

WILLIAM A. HEWITT

President, Deere & Company

We believe that the farm machinery industry will fare better in 1957 because (1) farm income will improve due to a continued strong demand for agricultural products and an improved agricultural surplus situation; and (2) farmers' willingness to buy will increase because of the more settled political atmosphere surrounding the farm program in 1957.


William A. Hewitt

For many years there has been a close relationship between farmers' cash income and sales of farm machinery. In general, farm machinery industry sales have increased when farm income has increased and vice versa. Exceptions to this rule usually occur during election years when political controversy causes the farmers' outlook to be clouded with uncertainty. Much of the decline in industry sales in 1956 and in 1954 was probably due to the effects of exaggerated political debate.

In 1957 we expect that farm income will be up. Cash receipts from farm marketings are expected to increase; government payments to farmers will rise substantially because of the Soil Bank; in addition, cash income to farmers from non-agricultural sources (such as wages from off-farm work, income from rents and other investments, etc.) will grow as industrial production and employment continue at high levels. Farm machinery sales should be up substantially.

During 1957 demand for farm products will stay high because of the high levels of economic activity and personal incomes, the continuously growing population, the favorable outlook for peace in the world in spite of recent tensions, and the general optimism of our people. Farm product supply factors will be strengthened through expected production cuts both in livestock and crops. The Soil Bank will get into full swing for the first time. If this program meets with success, substantial cuts in crop production may result and government payments to farmers for program participation will increase.

1956 has been a year of expanding exports of farm products, aiding substantially in reducing the country's agricultural surpluses. We expect the agricultural export programs to show even greater success in 1957. The selling of farm commodities for foreign currencies, bartering of farm surpluses in Commodity Credit Corporation hands on foreign markets for defense materials, placing of CCC holdings of surpluses on world markets at competitive prices, and exporting of wheat from free market supplies rather than from CCC stocks have greatly strengthened our agricultural markets. We believe these activities will be more effective in 1957.

Weather can bring sharp changes in farm production which we cannot forecast. Some sections of the country, particularly the wheat belt, have been hard hit by drouth for several years. Lack of moisture has already prompted forecasts of substantially reduced winter wheat production in 1957. We hope that we are near the end of this drouth cycle.

Prices of farm machinery which will average higher in 1957 than in 1956 are being accepted by farmers as the necessary result of higher wage and raw material costs. Higher costs have not been offset by higher prices, however, so that 1957 will be a year of margin squeezes and severe competition for machinery manufacturers.

A. T. HIBBARD

Chairman of the Board, Union Bank and Trust Company, Helena, Montana

1956 has been a good year for Montana. In spite of a dry year, with approximately 20% below normal precipitation in most of the grain growing areas, Montana produced 87 million bushels of wheat and a value of all main crops of $231,520,000, with all livestock and livestock products adding an estimated additional $155,000,000.


A. T. Hibbard

Industrially, Montana has made substantial progress. The Anaconda Company has brought their $50 million aluminum plant at Columbia Falls into full production, and has proceeded apace with the vast program of copper mining in Butte and the processing of ores and metal at Anaconda and Great Falls.

Lumbering has increased substantially, with greatly increased production, although the market has been temporarily dull in the last quarter. Two new pulp plants, the first in Montana, are announced and first construction has started.

Oil development and production has continued throughout the year, with current production equalling 65,719 barrels per day. Production is increasing every month. The present situation in the Near East will provide an impetus to drilling in Montana's many oil fields, and will undoubtedly hasten the development in the Williston Basin, which in the opinion of many leading oil geologists will be one of the great producing fields on the continent.

Montana's population is growing, with substantial increases in all principal cities in the state.

Montana's livestock population includes about 2,300,000 cattle and about 1,500,000 sheep. The opportunities in ranching and in the production of sheep and cattle are attracting people from all parts of America to these industries here and to the attractive and independent way of life in this great western country.

Tourist travel has become big business in Montana, bringing in an estimated $100 million of income. More than a million and a half people visited Yellowstone National Park and more than three-quarters of a million visited Glacier National Park during the season of 1956. Thousands visit the many fine dude ranches in various parts of the state.

Except for the world tensions which have general war possibilities, Montana looks to the new year with confidence that it will share the good business and prosperity of America. We see continual substantial growth in population, in industry, in oil development, in tourist travel, and with the all important normal precipitation, in agricultural production.

Montana is young, vigorous, and growing, with a great wealth of natural resources.

JOHN HILLDRING

President, General Aniline & Film Corporation

Nineteen fifty-six has been a grand year for the United States economy, for the business community, and for General Aniline. The analysts and extrapolators of business and economic trends have arrived at an optimistic consensus of opinion for 1957. In the midst of a growing, vigorous, and prosperous industrial complex, GAF expects to surpass its all-time sales record of 1956. And with technological advances and greater efficiencies in operation, we anticipate correspondingly higher profits.


John Hilldring

GAF's efforts are expended in three major industrial areas. The phenomenal growth of the chemical industry during any period from one to 15 years back is well known. The increasing demand for established chemical products and the seemingly limitless capacity of industry to absorb and then require new products will be apparently unaffected by the new year. Of particular benefit to GAF in the coming months will be the higher production schedules expected in the textile and automotive industries.

The photographic industry has enjoyed and expects to enjoy in 1957 a steady, gradual increase in consumer purchases. Aware of this and the ever-developing trend toward more constructive utilization of leisure time, our Ansco Division is planning new product releases and marketing techniques which will advance its position substantially in amateur photographic products.

The Ozalid Division produces dry copy, white print machines and sensitized products. These products are used widely by the engineering and construction industries and in every conceivable commercial and governmental activity which involves paper work. From its leading position in the field, Ozalid foresees no startling diminution in the United States tonnage of paper work. As heavy construction continues at a high level and as business avidly seeks out labor-saving efficiencies, healthy gains are expected during the coming year in Ozalid machines and paper.

We anticipate 1957 with pleasure and enthusiasm. We believe that it will prove to be a good year for us and our customers.

CONRAD N. HILTON

President, Hilton Hotels

Although the rate of expansion of the American economy slowed in 1956 compared with the tremendous upsurge in 1955, the year just completed was a very good one for the hotel industry. It was the best year in Hilton Hotels Corporation's 10-year history with sales approximating $195 million and earnings both from operations and sales of properties considerably higher than a year ago.


Conrad N. Hilton

We believe 1957 will be a year of continued growth in the American economy generally, although there may be some adjustments in certain industries. Business activity, production, employment and personal incomes should reach new highs, but, very likely, the gains will be modest because the economy is already operating near the limits of its practical capacity. Increases must come, in the main, from enlarging practical capacity which is a more difficult task than simply taking in slack after an off-year.

The hotel industry—the nation's seventh largest—tends to reflect the general level of commercial activity, and thus some improvement is indicated over 1956. Of course, the number of persons traveling is of prime importance, and with personal incomes improving, more persons should travel more often. For example, the industry should profit from the substantial increase forecasted in airline travel. So important is air travel to the hotel business that we are analyzing airline's records and forecasts to determine locations for future hotels. Hilton Hotels, with its units in major cities, is especially well-situated to capitalize on the increased air travel, the bulk of which tends to flow between big metropolitan centers.

As a result of this traffic movement between major cities where our hotels are located, our inter-hotel reservation system is becoming of increasing importance to our operations. As we begin 1957, Hilton Hotels is averaging at least 35,000 reservations monthly by referrals from one hotel to another. This represents a 10,000 monthly reservations improvement over a year ago from this source, and we expect the trend to continue.

With these favorable factors, the room occupancy rate should rise. In 1956, Hilton, on the average, had 78.6% of its rooms filled compared with 76% in 1955 and the historical low point for the Corporation of 72.3% in 1954. Just after World War II, the occupancy rate was about 95%. In spite of this lower occupancy rate, Hilton is far more profitable today than it was 10 years ago. This is so because we have been successful in reducing the breakeven point in the occupancy rate by a substantial amount. We have done this by introducing a number of efficiencies and strict cost controls, and by upgrading our properties through the sale of older hotels and replacing them with newer units which are better situated geographically and which enjoy lower maintenance costs. Newer domestic hotels opened or acquired during the last year are the Statler Hilton in Dallas, Texas, the Netherland Hilton and Terrace Hilton in Cincinnati, Ohio, and the Hilton Hotel, San Antonio, Texas. Due to its lower breakeven point, Hilton Hotels Corporation is much less vulnerable to any downturn in the economy than was previously the case. This holds true for the industry in general.

We in the Hilton organization feel that the hotel industry is embarking on a new era. During the decade of the '20s, the hotel business was characterized by overbuilding. Partially due to this, the industry collapsed during the depression years. Very few new hotels have been built since 1930. Hilton's major growth in the past has been through acquiring control of good, existing units in the United States and management of newly-built and separately-financed hotels abroad. But with the expansion of our economy in recent years, we are now growing up to our hotel capacity. Although a host of new hotels are not needed, new ones are called for in certain dynamic areas. Thus, late in 1956 we concluded negotiations for the construction of the Pittsburgh Hilton, a $15 million hotel in the Golden Triangle. We are considering a number of opportunities in other key cities for the construction and management of hotels.

The domestic hotel business is promising, but Hilton's foreign expansion may be even more exciting. Our hotels in Turkey, Puerto Rico and Spain have not only been highly profitable, but they also have contributed to a healthier world trade. With the opening of the Continental Hilton in Mexico City last month, we now have the finest hotel in all of Mexico. Other foreign hotels now under construction or contract are located in Havana, Cuba; Cairo, Egypt; Acapulco, Mexico; Montreal, Canada; West Berlin, Germany; Tokyo, Japan; Bangkok, Thailand; Port-of-Spain, Trinidad; Rome, Italy and Baghdad, Iraq. When completed, these hotels will make a substantial contribution to Hilton Hotels' profits.

P. W. HIRES

President, The Charles E. Hires Company

Many components of the beverage industry took some decrease in business in 1956 because of a very poor summer selling season. Temperatures in most parts of the country averaged well below normal. In spite of this, however, considerable strides have been made by the industry in such items as realistic pricing, industry sponsored cooperation toward the mutual benefit of all bottlers of carbonated beverages, and more of a general awareness to the outside competitors of the industry, such as frozen juices, ades, etc.

P. W. Hires

The carbonated beverage industry is geared and running for a "bounce-back." It fully expects this year to be a record maker. This optimism was very prevalent at the recent convention of the American Bottlers of Carbonated Beverages in Cleveland, Ohio. Barring unforeseen problems, such as more sub-normal temperatures, I share the same view. This year will be a most interesting one for Hires. Not only will Hires be engaged in a large scale effort of adding new bottlers around the country, and in using new advertising promotional techniques to promote its product, but it will be test marketing a few new products which it has developed to be sold under other labels. Effort on the sale of Hires will not be subdued by effort on the new items. On the contrary, the new products have been developed to aid the sale of Hires through allowing the Company to achieve even better service to its customers, as well as help level out the historic peak and valley seasonal sales surve.

Hires this year is also instituting a new system of sales control and market research which should be of considerable help to our licensed bottlers as well as Company owned operations.

The Hires expansion program will go on at an accelerated rate, not only through the Company owned plants, but through over 300 licensed Hires bottlers in every state of the union.

HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Co.

Nineteen hundred and fifty-six, generally speaking, has been an excellent year. There have been a few soft situations but, as a whole, conditions have been very good. The life insurance industry will end with the best sales of any year in its history.

Howard Holderness

Money has tightened so that the companies have been able to obtain a higher interest rate on better credits. Investmentwise the life insurance companies were able to place their funds at attractive yields. At the present time interest rates are at their high, for a long period of time, and the demand for funds continues very strong. I believe that rates will stay at approximately the present levels for the next six months or so.

Most companies, because of the very high demand, are not only obtaining a better interest rate on their investments, but are lending more conservatively even to the better credit risk. I believe this investment condition will cause a slowing up of not only residential construction but also commercial and industrial building. This should result in the demand and supply factor on the long term money market becoming more in balance during 1957. Although interest rates may firm up slightly from the present level, in my judgment, after the first six months there will probably be some easing in the long term money market.

Even with some slowing down in construction, with large expenditures which will occur in the cold war, and with extremely high employment, I believe 1957 should be another excellent year. Competition, however, is becoming increasingly keener in practically all industries. Only through research and increased efforts can companies expect to maintain or improve profit margins.

H. E. HUMPHREYS, JR.

President, United States Rubber Company

Passenger car and truck tire sales will total about 100 million units in 1957, compared with an estimated 98 million units for 1956. The increase in part reflects estimates by the auto industry that car production will be somewhere between 6½ and 7 million units next year.

H. E. Humphreys, Jr.

car tire sales will be 1% to 1½%

In addition, replacement passenger car tire sales with be 1% to 1½% higher and should total about 52½ million units. Truck tire replacement sales will be the same or slightly lower than the 8½ million units we estimate for this year.

An increase in automobile production will also boost the sale of the many other rubber industry products which go into new cars. Among these are foam rubber, plastic-coated and other fabrics for upholstery, a growing number of plastic items for interior trim and numerous rubber products for seals, gaskets, hose and mountings. We shall also see the growing adoption of a new automotive rubber product, air springs. These will be used on a small scale in 1957 cars. By 1958 we believe they will be widely used.

The industry's sales of industrial rubber products always follow very closely the overall activity of American industry. In view of forecasts that the Federal Reserve Board index of production will advance 4 or 5 points in 1957, such products as industrial hose, conveyor belts and power belts should enjoy a comparable increase.

Rubber consumption this year will be about 1,500,000 long tons compared to 1,435,000 long tons in 1956 and 1,530,000 long tons in record-breaking 1955. Thus the industry will have record-breaking sales with rubber consumption that is below the 1955 record.

A partial explanation of this situation is that the industry is following a trend toward consumption of less material classified as rubber per dollar of sales. The industry is beginning to consume significant amounts of newly discovered elastic materials (polyurethanes, polyvinyls, silicones and polyisobutylenes) which have not thus far been classified as rubber types in the statistics.

In addition, the general price level for rubber products increased slightly in 1956 because of higher raw material and labor costs. These higher prices, which will be reflected throughout all of next year, will contribute to the expected increase in dollar sales.

The consumption ratio of synthetic rubber to natural rubber, which has been increasing in recent years, will probably continue for the time being at the present level of about 62% synthetic to 38% natural. Prices for synthetic rubber have been stable; no marked change, up or down, is foreseen for 1957.

The industry is in the midst of a major expansion of synthetic rubber capacity. Since April 1955, when the synthetic rubber plants were transferred from the government to private industry, production capacity has increased from about 1,150,000 long tons per year to 1,400,000 long tons. That is an increase of 22%. Expansion programs now underway will probably be completed by the end of 1957. They will add another 20% to capacity, reaching a total of 1,680,000 tons.

Part of this increased capacity for synthetic rubber production will be used to meet the rapidly growing demand for our synthetic rubber overseas, particularly in England, Germany, France and Italy.

United States Rubber Co. plans to invest a record of about $40 million for expansion and modernization in 1957, compared with about $32 million in 1956 and $35½ million in 1955. This year's investment will bring capital expenditures by the company over a 10-year period to $260 million.

JOEL HUNTER

President and Chief Executive Officer, Crucible Steel Company of America

Strengthened by enlarged and improved facilities coming into production in 1957, Crucible Steel Company of America looks forward to a good year with the demand for its products continuing at a high level at least through the first six months.

Joel Hunter

Despite the five-week steel strike, sales for the past year were over a quarter -billion dollars for the first time. In the previouhs record-year of 1955, sales totaled $238 million.

Crucible's earnings in 1956 will be close to the company's 1955 earnings of $13,209,000 or $7.21 per share based on present outstanding common shares. Dividend payments to shareholders increased to $3 per share in 1956 as compared to $2.50 per share in 1955.

In November, the company announced its intention to present a two-for-one stock split proposal to stockholders. The proposal, to be voted on in January, provides an authorization to increase the number of shares of capital stock from 2½ million to 5 million.

Last spring the company offered to its stockholders additional stock in the ratio of one share for each 10 shares owned. The entire amount was subscribed and $6,380,048 of new equity capital was obtained from the sale of 164,117 shares.

Improvement and Modernization

The 1956 budget for capital improvements totaled $20 million. More than half this amount was allotted for facilities at Crucible's Midland (Pa.) Works to increase the company's capacity to produce flatrolled stainless products by 70%.

The new facilities include annealing and pickling lines for hot and cold rolled sheet and strips, a new $2½ million Sendzimir cold reduction mill, and related buildings and equipment.

The Sendzimir mill, scheduled for completion late in 1957, will cold roll stainless and titanium strip to widths up to 48 inches and to thinner gauges than the company has previously produced. Flexibility of the mill permits production of small or large quantities of particular grades of stainless and titanium to meet exacting market demand for gauge and surface finish.

Late last year Crucible announced authorization of an additional $25 million for new plant facilities. More than $12 million of this amount will be spent for improvements at Midland Works, including soaking pits, heating equipment and auxiliary facilities. The balance of the new $25 million program will be spent at other company locations.

Some increase in capacity will be effected by the company's improvement and modernization plans, but the program is aimed chiefly at cost reduction and quality improvement. We expect to finance these expenditures from our own funds without recourse to outside financing.

Vacuum Metals Division

During 1956 Crucible acquired complete ownership of Vacuum Metals Corporation, the country's first commercial producer of high vacuum cast metals and alloys. The plant and vacuum melting facilities are located at Syracuse, N. Y., and now operate as a division of Crucible.

The company had owned a 50% interest in Vacuum Metals Corporation since 1954. The remaining 50% was held by National Research Corporation.

Continued expansion of vacuum melting facilities is underway in order to meet the growing demand for high purity vacuum melted materials. The production of vacuum melted metals and alloys is now firmly established. The materials are being used especially in aircraft engine construction, and wider applications in other fields look promising.

Sales and Warehousing

Crucible's growing warehouse sales contributed substantially to the company's record sales for 1956. Growth of the warehouse system during the year brought the number of the company's specialty steel warehouses to 25.

Construction of additional warehouses and enlargement of existing facilities presently underway will enable Crucible to further expand its warehouse business. To keep their inventories to a minimum in times of adequate steel supply, many customers utilize the warehouses for their needs. This large and regular warehouse volume helps in scheduling economical mill operations.

Warehouse stocks of tool steel, stainless bars and sheets and machinery steels and other specialty items are available in the area where they are to be used. In addition, substantial quantities of these steels at mill warehouses are available for instant shipment anywhere, assuring adequate warehouse stocks.

Continued on page 42

Continued from page 41

PETER F. HURST

President, Aeroquip Corporation

The flexible hose line and fittings industry mirrors the health of the entire economy. The products of Aeroquip Corporation and its subsidiaries are used, for example, by nearly every capital goods industry in the country. Our backlog is an appraisal of the outlook made by a wide-scale representative cross-section of the country's business enterprises. Thus, I am pleased to report that the order barometer at Aeroquip shows a considerable volume of business ahead.


Peter F. Hurst

In 1957, those companies which are well-managed are going to report healthy sales and earnings. Over-all conditions are ripe for progress. In other words, the soil and climate are right for good results, but the size of a particular firm's crop, so to speak, will depend upon each management's ability to produce efficiently and sell aggressively. For all of the nation's current prosperity, let us not forget we are very much in a period of tough competition.

It is indicative of the true greatness of American industry that even in periods of recession, the ingenious businessman could always accomplish great things. In today's generally prosperous times, the opportunities are more attractive than ever before.

Last October, I was fortunate enough to visit the Soviet Union. It was a very exhilarating experience, solidifying an already deep-set conviction that the dynamic character of American business is unmatched anywhere. Russian industry is by no means antiquated—in fact, it is modern in many respects—but such critical factors as high efficiency, sincere employee enthusiasm, freedom of job selection, outlets for inventiveness and taking chances, and all the other "extras" that make working in the United States unique are either absent or scarcely noticeable.

I do not claim to have been in Russia long enough to qualify as even half an expert. Yet, I saw enough to "unimpress" me about the Soviet Union's economic system and to "reimpress" me forcefully with the fact that America's "people's capitalism" represents the most desirable system, the one most productive of the best results for the greatest number of people.

The rapid technological progress taking place throughout American industry favors the flexible hose line and fittings business. With more complex machinery, tools and capital equipment continually being designed to accomplish more demanding assignments, new products with stricter specifications are required in hose assemblies. Existing installations frequently have to be replaced and the newly developed types substituted. The latest models of airplanes, as an example, require not only more hose lines than heretofore but hose lines of greater complexity in such terms as pressure, heat and chemical tolerances.

If every company in our business does as well as Aeroquip in 1957, then the flexible hose line and fittings industry, and the related fields in which we operate, are in for the best year in their history.

CURTIS M. HUTCHINS

Chairman of the Board and President, Bangor and Aroostook Railroad Company

The Bangor and Aroostook looks for a relatively good year in 1957. However, we do not now anticipate so large a net income figure for one reason—our tax bill will be substantially higher. This is due to two factors—a non-recurring credit and the expiration this spring of some of our certificates of accelerated amortization. The first amounts to some $168,000 and springs from the expense of our 1956 re-financing program.


Curtis M. Hutchins

The second will run to around $50,000 and reflects the reduced amount of Internal Revenue Bureau depreciation remaining in 500 refrigerator cars as compared to normal Interstate Commerce Commission depreciation.

It is perhaps pertinent to point out that the effect of this loss of accelerated amortization on our net income figure is a great deal less than would be true of other Class I railroads. The reason is that we have deducted and are continuing to deduct our so-called "tax benefits" from our reported net income. Thus while our tax bill will increase considerably more than the $218,000 noted above, our deductions will be reduced in the amount of the difference. All of which is one way of saying that the impact upon net income of the run-out of accelerated amortization will be much less in the case of the Bangor and Aroostook than upon other railroads which have taken advantage of fast write-offs.

As the rail analysts have been pointing out, the effective return of the recently approved 7% increase in freight rates will be greater for those railroads which have little passenger business. The Bangor and Aroostook falls into this category.

This fact, plus as much and possibly a little more tonnage than in 1956, leads to our conclusion that 1957 should be satisfactory. As always, however, our estimates must necessarily be based on a potato crop that is not yet in the ground. We are estimating on the basis of comparatively recent experience. We could be too high and, equally, too low. But assuming an average movement, 1957 should be, as I said at the outset, a good year.

WILLIAM E. IRVIN

Executive Vice-President, The Idaho First National Bank, Boise

Business is good, and because business is good tight money seems to have become a permanent part of our economy. We do not see any important changes in this condition, except it is generally felt that money in the near-term future will get even tighter. The present Federal Reserve discount rate is vulnerable. Yields on Treasury bills are at an all-time ceiling, and Government bonds are selling at prices that are almost catastrophic.


William E. Irvin

The demand for credit from all segments of our nation is great and not likely to diminish. The discount rate, open market operation, reserve requirements are the means whereby the Federal Reserve can influence our money supply. The tight money condition is the direct result of this monetary influence, and at the moment it is the major deterrent to the wage-price inflation forces that have been so constantly present. The Federal Reserve Bank has had an ally—not a willing one—but nevertheless an ally in trying to combat this inflation and control the cost of living. I refer to the agriculture and livestock people. The farmers are still on the outside looking in insofar as participation in this high period of business activity is concerned. They are caught in a price squeeze. The fact that they have not participated has done much to control living costs that were so often referred to by the Administration spokesmen during the recent campaign. The Federal Reserve Bank and the farmers are carrying this burden together—one because it is their job, and one on a captive basis.

Prices are on the march upward and particularly noticeable are the increases on the 1957 lines of manufactured items now on the market. Existing contracts assure wage raises in industry, and at least one labor leader has made the statement that substantial increases will be obtained in 1957. Wages and prices seem to be jockeying for position—we can't really tell which is a step ahead. The basic industry of all industries—steel—has all but announced another increase.

The Federal Reserve Bank has used its means effectively, and the farmers have made a contribution. Because of the depressed bond prices the credit of the United States may have been seriously damaged. There are rumblings being heard from several quarters, and we have reason to be worried that if this wage-price inflation is only to be combated by monetary means, the means of the Federal Reserve Bank may be taken away.

It indeed seems time that industry and labor accept their share of the responsibility. True, they may need some encouragement from the Government to do this. I trust nothing stronger than encouragement is needed, and that it takes a voluntary form rather than controls.

I hopefully predict that there will be an awakening in the year 1957, and the patriotic and thinking people in labor and big business will put their shoulder to the wheel and give the Federal Reserve Bank a hand in this struggle to preserve the value of our dollar.

PORTER M. JARVIS

President, Swift & Company

An adequate livestock supply and consequently a relatively high meat volume are major factors in our industry's outlook for 1957.

According to U. S. Department of Agriculture estimates, it appears that there will be plenty of meat to go around during 1957, at reasonable prices. However, supplies are expected to be distributed throughout the year in such a way as not to cause marketing problems such as the industry saw late in 1955. Production probably will be about 2.5% below the estimated 27.9 billion pounds for 1956. Even if there is such a reduction, supplies for 1957 still would be higher than for any previous year except 1956. Of course, any such estimates would have to be modified if drought conditions in some areas are extended.


P. M. Jarvis

Per capita consumption, which in 1956 was an estimated 163.5 pounds, will likely be slightly below 160 pounds in the year ahead. That's ahead of any recent years except 1955 and 1956.

Beef production, which has set a new record each year since 1953, will decline only slightly in 1957. About the same number of cattle will be slaughtered, but average weight will be lower.

Production of veal may be slightly lower in 1957. Lamb production is not likely to change appreciably.

The pork supply picture isn't quite as good. That's the major reason for the anticipated decrease in total production. The 1956 spring pig crop was apparently reduced 8% from the previous year and much of this reduction will reflect in the marketings made after Jan. 1, 1957. Indications are that the 1956 fall pig crop may be down as much as 7%. As a result, pork consumption on a per capita basis at 63 pounds may be at the second lowest level since 1938.

Matched against this supply picture, there is a growing population and a level of consumer income which is expected to continue to rise during 1957. It appears that American consumers will be able to spend as much or more for meat in 1957 as compared with 1956.

With a product that has a basic natural appeal, all of this points to continued vigorous competition in the industry.

Producers and processors will intensify their efforts to keep pace with changing demands.

Consumers today want more service, more conveniences and shorter preparation and cooking times, with increased nutritional value in the products they buy. To meet these demands, there will be more individually packaged, frozen, close-trimmed meat cuts of all kinds and, more pre-cooked, heat-and-serve items.

Producers undoubtedly will continue to expand programs to produce leaner-type livestock in line with consumer preferences.

D. B. JENKS

President, Rock Island Lines

I don't have an infallible crystal ball to predict the future, but from my own observations, plus reports from responsible business leaders in sensitive industries, indications are the national economy during 1957 should continue on the upswing.

Rock Island's gross revenues for 1956 were about $200 million; with a net income of nearly $15½ million, or with a net income per share slightly over $5.25 for 1956. This is somewhat below the $5.59 per share earned in 1955. The reduction was due to the wage increase granted to employees in November, which amounts to about $6 million per year, and to the reduction in rapid amortization in 1956 as compared to 1955.


D. B. Jenks

If the Interstate Commerce Commission had granted the 7% increase in freight rates petitioned by the western railroads, it would have just about balanced off the pay raise. Recently the ICC granted a freight rate increase to the western lines of only 5% and the railroads are now seeking the additional 2% of their emergency request plus 15%.

Rock Island and other railroads should share in handling essential tonnage which promises to keep on the move during 1957. This freight traffic includes iron and steel products, aluminum, automobiles and parts, chemicals, foodstuffs, animal feed, electrical appliances, coal, machinery, cement and construction material for industrial purposes and highway building.

Shipment of lumber may decrease however, because of the possible reduction in home building due to the "tight money" loan cycle confronting the nation.

Movement of grain over the Rock Island should be about average despite the drouth in the plains area. Elevators are filled under the government's program.

The location of new industries along the railroad is one of the bright lights of the Rock Island's future. Our program of encouraging industries to build in places served by the Rock Island is one of the company's most important long-range undertakings.

Traffic originating from industrial plants has accounted in a large measure for the increase in carloadings during 1956 over the previous year. We expect 1957 carloadings to increase 4% to 5% over 1956.

The most effective way to win back traffic lost to competition is by giving shippers the kind of service they want. The big talking points on the Rock Island in looking back over 1956 are the major speed-up in Rocket freight schedules we made over the system and the introduction of "Convert-a-frate" service . . . (a new concept of piggy-back. Demountable cargo units are moved from high-speed flat cars and delivered directly to the shippers' door by truck for loading or unloading.)

Last year running times of freight trains between Chicago and Colorado; Minneapolis and Kansas City; Kansas City and Fort Worth, and Memphis to Amarillo were slashed by hours.

Shippers like speed, dependable and flexible, and we are making every effort to provide them with top notch service.

We honestly believe that this philosophy of business will not only hold traffic for us during 1957, but will enable the Rock Island to show a traffic increase when the accounting figures are tabulated next December.

GALE F. JOHNSTON

Vice Chairman of the Board, Mercantile Trust Company, St. Louis

Business activity in the coming year will probably be influenced more by desicions taken by the Federal Government than in the last several years. American foreign policies are undergoing another of their periodic revisions; this revision, like those before it, has been forced by the struggle between Russia and the United States. It is a struggle fundamentally for the control of uncommitted areas and it is more economic and political in character than military. American foreign assistance expenditures almost certainly will rise steadily over the next few years as we attempt to help the underdeveloped countries establish sound economies. In addition, military expenditures will also increase, not only because the world situation is critical, but because the weapons of war cost more than in the past. Money will also be spent to build highways, and probably some form of school aid will be started this year. It would be a mistake, however, to forecast that government expenditures will rise sharply; it would be more correct to forecast that the increase will be slow but it will continue for several years.

Consumers tended to save more in 1956 than in 1955, and at the start of the new year they showed no sign of increasing their rate of buying. They apparently are cautiously confident, but are not willing to go heavily into debt or to spend money unnecessarily. As a result, they are providing some of the funds needed to finance the expansion of American industry.

The amount invested in new plant and equipment reached a new peak last year, and there are definite indications that this rate, or one slightly higher, will be maintained at least in the first half of 1957. The surveys of anticipated plant and equipment expenditures show that businessmen are planning to maintain a high rate of expenditures. The increasing competition in some industries, together with reports of excess capacity in some lines of manufacture is, however, causing some observers to raise questions about how long this rate of expansion will be continued. Many students think that, as the year progresses, more and more companies will reduce or postpone their capital expenditures plans.

Residential construction is expected to decline further in the coming year, but non-residential expenditures are expected to advance. As was indicated earlier, public works expenditures for highway and school construction will also increase.

In summary, the current high level of industrial activity is likely to be maintained through the early part of 1957, but later in the year it is possible that business activity will decline slowly.

W. A. JOHNSTON

President, Illinois Central Railroad

Illinois Central Railroad net income for 1956 is estimated at $24,000,000, or $7.73 per share, after accruals for recent and pending wage increases. Shares earnings are based on 3,103,333 shares outstanding as of Oct. 31, 1956. This compares with net income in 1955 of $26,542,000, or $8.55 per share on the same number of shares.

Wayne A. Johnston

Operating revenues for 1956 are estimated to be about $300 million compared with nearly $295 million in 1955. Operating expenses for the year will be approximately $224 million as compared with $213 million in 1955. The estimated expenses for 1956 include the estimated cost of pending wage increases and those made effective Nov. 1, 1956.

Operating revenues for 1957 are expected to exceed those of 1956, based on our own comprehensive traffic surveys, and should amount to about $303 million at the present level of freight rates. These revenues, operating expenses for the year and the net income to be realized are dependent on the final settlements yet to be consummated on wage demands and the action of the Interstate Commerce Commission and state regulatory bodies on the request of the railroads of the country for an increase in freight rates to offset the increased costs resulting from settlement of the railroad labor wage demands.

The railroads in October concluded a wage settlement with the non-operating unions. Negotiations are currently being carried on with the operating unions. If settlements of the wage negotiations with this latter group are made on the same basis as with the non-operating unions, the resulting increased costs in 1957 are estimated to be about $11,300,000 for the Illinois Central. In addition, the last freight rate increase which became effective in the early part of 1956 failed to offset by $4,300,000 a year increased operating costs which resulted from wage increases and other increased cost faced by this company at the beginning of the year 1956.

Accordingly, the Illinois Central has joined other railroads in asking for an emergency 7% increase in freight rates to meet these drastic increases in expenses which have been beyond our control. The 7% increase, which includes certain hold-downs and 10 cents per ton on coal, applied to both interstate and intrastate movements will amount to approximately $15,400,000 on an annual basis. Therefore, it is clear that any delay by the Interstate Commerce Commission in granting the requested increase, or by state bodies in extending that increase to intrastate rates, will work a genuine hardship on the Illinois Central and other railroads in their effort to keep pace with American industry at large. It is hoped that these regulatory bodies will recognize the necessity for prompt affirmative action on their part to meet the emergency needs of the Illinois Central and other railroads so that with as large or somewhat larger volume of traffic in 1957, we may be able to realize net earnings at least equal to those of 1956.

Improvements

The 1957 budget for capital expenditures will require an estimated $38,770,000, of which $8,427,000 will be for roadway property and $30,343,000 for equipment. This compares with capital expenditures estimated at $36,845,000 for 1956. It is proposed to issue two equipment trusts early in 1957 totaling $18,900,000 to cover 75% of the cost of equipment to be acquired.

Roadway improvements planned for 1957 include 150 track miles of new rail costing about $6,751,000, of which $939,000 will be chargeable to capital account. Bridge work will amount to about $1,300,000. New and extended yard and side track will cost about $2,320,000. It is also planned to spend about $1,437,000 for buildings, stations and shops. These will include diesel repair facilities at Hawthorne Yard, Chicago, Freeport, Ill., Waterloo, Ia., Louisville, Ky., Fulton, Ky., Jackson, Tenn., and Johnston Yard at Memphis.

New equipment will cost about $30,343,000. The budget calls for the purchase of 70 general-purpose diesel locomotives to cost $12,900,000 and four passenger diesel locomotives costing $920,000. The Illinois Central now has 171 switching, 236 freight and 42 passenger diesels, a total of 449 units. Delivery of the 70 additional locomotives during 1957 will increase ownership to 519 diesel units. The assignment of the new motive power will result in 83% of the total road miles of the Illinois Central being dieselized. It is anticipated that the additional diesel locomotives will produce savings of between 20 and 25% on investment. Delivery of the new equipment will be made in the first quarter of 1957.

The 1957 freight car program provides for the construction of 2,000 boxcars in the Illinois Central's shop at Centralia, Ill., at a cost of $13,000,000, and in addition, the construction of nearly 500 new boxcars which were a part of the 1956 program, the work on which was delayed by the steel strike. Two hundred new covered hopper cars costing $1,600,000, 110 flatcars costing $1,065,000, and 50 new steel caboose cars costing $500,000 are a part of the 1957 equipment budget. Also planned is the equipping of 150 freight cars for specialty loading at a cost of $525,000. During the coming year, the necessary major and other repairs will be made to our freight car fleet to keep every available piece of equipment in serviceable condition.

The 1957 capital expenditures budget exceeds that of 1956 by about $2 million. During 1956 the Illinois Central acquired 70 general-purpose locomotives, 100 seventy-ton covered hopper cars and constructed 1,500 boxcars at Centralia Shops. One hundred and fifty freight cars were equipped for specialty loading, and approximately 150 track miles of new rail were laid. In addition to ordinary running repairs, shop repairs were made to 14,000 freight cars, giving the Illinois Central a ratio of cars awaiting repairs to total ownership of less than 2%. This compares with a national average of about 4%.

Two twin-unit dining cars were acquired during 1956 and placed in service on the Chicago-Florida "City of Miami."

Fiscal Policy

During 1956 the directors of the Illinois Central voted to increase the dividend rate on the common shares from $3.50 to $4 a share on an annual basis. Giving effect to the two-for-one stock split of June, 1954, the $4 rate is the highest in 71 years since 1885, when the annual dividend was $8. There were 3,103,333 common shares outstanding at the close of October, 1956.

Corporate

During 1956 the Illinois Central and the Rock Island, through a new company, the Waterloo Railroad Company, jointly acquired the properties of the Waterloo, Cedar Falls and Northern. The line, serving many industries in Waterloo and Cedar Rapids, is now being separately operated by the new company.

The Illinois Central and 11 other railroads acquired the Illinois Terminal during 1956. The Illinois Terminal operates 355 miles of road serving St. Louis, Mo., Springfield, Peoria, Decatur and Champaign, Ill. It directly serves 250 industries and serves more than 3,500 others through reciprocal switching arrangements.

The Illinois Central has intervened in the application of the Frisco to exercise independent sole stock control of the Central of Georgia, which is a bridge line for Illinois Central traffic to and from the Southeast. The Illinois Central has asked that it and any other interested railroad be permitted to join the Frisco in equal control of the Central of Georgia. An examiner's report has just been issued recommending participation of the Illinois Central and the Seaboard in the control.

It is planned to merge the Alabama and Vicksburg, and the Vicksburg, Shreveport and Pacific railroads with the Illinois Central during the early part of 1957. The Illinois Central, through the Mississippi Valley Corporation, a wholly-owned subsidiary, owns more than 90% of the stock in each railroad. The two railroads form the 313-mile Illinois Central route between Shreveport, Ia., and Meridian, Miss.

The New York Central served notice on July 7, 1956, to the Illinois Central to end the contract governing its use of the Illinois Central passenger station at Chicago and to transfer Michigan Central trains to La Salle Street Station on Jan. 4, 1957. On July 20 the Illinois Central served counter-notice on the New York Central that it considers the contract one which cannot be terminated except by mutual agreement. The Illinois Central filed suit in Circuit Court on Sept. 18 for declaratory judgment to sustain its interpretation of the contract and an injunction to restrain the New York Central from withdrawing its Michigan Central trains from Central Station.

Traffic and Service

During the year the Illinois Central placed a new dispatch freight train in service from Chicago to New Orleans operating on a 32½-hour schedule. Northbound a companion train was installed on a 40-hour schedule. Numerous other changes in freight schedules were effected to expedite traffic and increase operating efficiency.

Carloadings for 1956 are estimated at 2,149,475, as compared to 2,158,561 in 1955. It is anticipated loadings for 1957 will exceed slightly those of 1956.

Coordinated rail-truck service on interstate traffic was extended to the Kentucky Division during the year. An application is pending to cover intrastate traffic. Approval of this application will provide the Illinois Central with rail-truck coordinated routes parallel to virtually all of its lines.

Piggy-back service was introduced June, 1955, between Chicago and Memphis. Initially begun to handle local traffic at prevailing rates, the service was extended Oct. 1, 1955, to embrace trailer-load shipments at rates competitive with common carrier highway operators. The service was extended to New Orleans in June, 1956, and to St. Louis in November of this year.

Outlook — General

The Illinois Central faces the coming year with an optimism born of a stability in government, continued high levels of activity in virtually all lines of business and a long-range confidence that increasing population will further expand the economy.

If a change in national transportation policy can be effected whereby railroads will be permitted to compete on an equal basis with their competitors and if subsidies to certain forms of transportation can be eliminated, the future for the railroad industry would look extremely favorable. If these changes can be brought about, America's railroads would need no help from any quarter, but would be able to function as an even more dynamic segment of our economy providing that quantity and quality of transportation upon which this nation needs depend to maintain its system of processing and distribution.

O. M. JORGENSON

Chairman of the Board, Security Trust & Savings Bank, Billings, Montana

Despite the substantial drop in the stock market during 1956, the present level points to 1957 as a good year for business, at least for the first six months. Possibly the downturn in the market can be charged to the serious nature of the international situation.

O. M. Jorgenson

Nineteen fifty-six has been a banner year; yet we had a steel strike, critical international tension, tight money, with rising interest rates; an unsettled and still unsolved farm problem; a bull market in stocks; a slump in auto production (but still the fourth highest year in history), and a decline in home construction. Nevertheless, gross national product climbs higher and higher.

Like last year, reports are almost unanimous in predicting another big year ahead. And there seems to be plenty of facts to back it up. Government expenditures will be increased and will still be an influential factor in our economy. 1957 will see in the neighborhood of one million homes built—down somewhat from 1956 but a stimulating factor to business. Industrial construction will continue high. The outlook for plant equipment and plant expansion appears good. Auto production will exceed 1956 so steel operations should continue at a high level. High employment with wage increases granted in 1956 means increased purchasing power during 1957. Liberal dividend payments, pension payments, unemployment compensation and relief checks cannot be overlooked either.

Agriculture is still an unfavorable factor in our economy. However, look for some improvement this year in farm prices. The Soil Bank may not be the answer but, anyway, give it a trial.

The cold war will continue. Russia has met some setbacks in 1956. Perhaps there will be some police actions here and there, but major issues will be settled by diplomacy. Nowadays the principle of give and take is invoked. Nevertheless, it is all disturbing to business as well as expensive and we all wonder if world peace will ever be a reality.

In the Midland Empire of Montana, with Billings as the hub, we depend a great deal upon livestock and farming. Agriculture plays a big part in our economy. The eastern part of the state had drought conditions last year. In the Billings area we had only one-half as much moisture as in 1955 but about three inches less than normal. Right now we are not suffering and with good rains this spring and summer, prospects for crops will be favorable.

The beet sugar crop was one of the largest and the Great Western Sugar Company will process more than one million 100-pound bags this season. Building construction almost equaled the 1954 record. If mortgage money is available, 1957 will be another big year for construction.

The oil industry still contributes substantially to our economy. Three modern refineries are operating to capacity. Pipelines carry crude and refined products great distances. Natural gas lines have been extended to a number of communities. December events in exploration and drilling operations have created an optimistic tone. Results over most of the year were discouraging but with several significant discoveries over a wide enough area, the companies have become active again. As a result, 1957 may prove one of the biggest years in exploration and drilling.

So for 1957 a big business year. Our economy still in high gear and continued high prices. Inflation is still a threat. Perhaps the Federal budget will be in balance but not if taxes are decreased. A note of caution should be thrown in for good measure lest we let our economy get out of bounds; and isn't it a good idea to be cautious

Continued on page 44

Continued from page 43

when everyone is so optimistic. The fact IS we are spending faster than we are making it, what with liberal credit. Can we continue it indefintely? Perhaps the answer is to curb our appetites, both business and individual, until we catch up. But will we do it voluntarily? 1957 is going to be an interesting year, with high prices, high wages, high production and—high taxes!

DAN E. KARN

President, Consumers Power Company

For the electric and gas industries it seems certain that 1957 will be a year of continued growth and progress. This is the national outlook, and it is our feeling that the growth and progress of the Outstate Michigan area served by Consumers Power Company will be somewhat greater than for the United States as a whole.

Dan E. Karn

Consumers operates in 64 of the 68 counties in Michigan's Lower Peninsula but not in the Detroit area. The service area includes such industrial cities as Flint, Grand Rapids, Saginaw, Lansing, Kalamazoo, Pontiac, Jackson, Battle Creek, Muskegon, Bay City, Adrian and Midland, and the main plants of the Chevrolet, Buick, Oldsmobile, Pontiac, Truck and Coach, and Fisher Body divisions of General Motors, as well as a number of Ford and Chrysler plants. Although there are many non-automotive industries in Outstate Michigan—the chemical, paper, cereal food, and furniture industries are especially well represented—automobiles are No. 1 in our industrial picture. And although Michigan ranks among the top few states in volume of tourist and resort industry, and in the top third of the states in value of agricultural products, industry is by a wide margin the principal source of income in Outstate Michigan.

Thus, in estimating the prospects for 1957 we must give first consideration to the automobile industry, whose leaders believe 1957 will be better than 1956, although 1956 was good. The outlook for the chemical, paper and other industries important in the economy of Outstate Michigan also seems bright. Our tourist and resort business, which has been growing steadily, will receive new impetus with the completion this fall of the Machinac Bridge between the Upper and Lower Peninsulas. As to agriculture, dairying ranks foremost in Outstate Michigan, and the industrial cities including Detroit offer a growing market.

Michigan has had an 18% growth of population since 1950, according to the Bureau of the Census, which expects the growth to continue. This means more electric and gas business. More important still is that average use of electricity and gas is increasing from year to year —in the home, in commercial establishments, and in industry. The increasing acceptance of automation, air conditioning, heating applications, laundry dryers, automatic washers, and electric bed coverings points to a continuance of the trend.

Consumers Power Company's budget for the expansion and improvement of electric and gas facilities in 1957 is the largest in company history, exceeding $95,000,000. We have electric generating capacity under construction that will increase our total capacity from 1,720,000 to 2,283,000 or about one-third within the next three years. Our confidence in the future of natural gas in our territory is such that we are seeking to obtain additional gas supplies in order to meet the anticipated heavy demand.

In the absence of unforeseen national or international developments, we look forward to increased business and sound growth in 1957.

WILLIAM G. KARNES

President, Beatrice Foods Co.

Reflecting a certain degree of stability that exists in the dairy and food industry, our outlook at the beginning of the year frequently is little different from the previous year. At the beginning of 1955, and again at the beginning of 1956, we mentioned three significant trends in progress: (1) increasing costs with narrowing profit margins, (2) increasing per capita consumption and increasing total consumption of dairy products, and (3) increasing per capita and total consumption of non-dairy convenience foods.

Wm. G. Karnes

We can expect these trends to continue in 1957, although pressure of personal debt and other factors may cause some variations in degree of increase. For example, there may be little or no increase in per capita consumption of certain dairy products, but we can expect at least some increase in total consumption. The purchase of non-dairy convenience foods in total generally is still on the increase.

We believe there could be a small increase in farm production of milk this year over 1956.

Under the impetus of intense competition in the food field, and Mrs. Housewife's discerning selectivity, more and better convenience foods can be expected to make their appearance in the stores.

All of which means a plentiful supply of dairy and other foods available at relatively attractive prices.

But for the processor and distributor, costs are going up. Inflation has been taking its toll the last few months and apparently will continue to do so after the first of the year.

Thus, the year 1957 present a challenge for us—probably greater—but otherwise not much different from that facing us on New Year's several times in the past.

Speaking for our company alone, I must say it is a real challenge of intense competition and rising costs. Thus far we have been able to meet each year's challenge. We have been able to effect economies and efficiencies — and sufficiently increase our unit volume through diversification and expanded merchandising effort—to offset rising costs and still make progress profitwise. Beatrice Foods Co.'s total unit sales have increased each year for the last 20 years, and in 1956, unit sales, dollar sales, and profit all are ahead of previous years.

We look to 1957 with optimism, convinced that we again can make good progress, and plan to meet that challenge by constantly working to further improve the efficiency of our organization and the quality of our products.

JOHN S. KEIR

President, Dennison Manufacturing Co.

For the paper products industry, the years since World War II have brought almost continuous increases in consumer acceptance and use. New trends in packaging and products identification and new uses for paper products in homes, schools, and in business generally have all contributed to the steady and rapid growth. Some measure of this growth can be gained from the fact that in 1956 the dollar sales of all paper and paper products manufacturers in the United States was over double what it was in 1946. The most recent years, 1955 and 1956, have been record breakers, both in sales and capacity increases. The rate of growth in 1957 may be slower but new high marks are still possible.

John S. Keir

To evaluate the possibilities of 1957 requires a careful balance of faith and caution. Basic trends such as population growth, technological change, plant expansion, and military preparedness are still very positive factors. Not so positive are high consumer debt, housing starts, and the two still unknowns, nameyl consumer purchases of automobiles and the overall results of a tightened credit policy.

Statistical analyses and a balancing of positive and less positive factors in the situation come to actuality only as the spirit of millions of people give life to the figures and meaning to the striking of balances. So long as people can make choices freely, exact predictions are to be made only with caution. It is possible to guess at the components in chain reactions, but no one knows what may trigger them or the direction they may take.

S. M. KENNEDY

President, Consolidated Foods Corporation

With the advent of the New Year, we hear echoes of the usual year-end economic forecasts. Most can be summed up as follows: "The current high level of business activity can be expected to continue through the first half of the new year. Due to possible reverses in some forces underlying our present expansion, the second half appears less promising. However, a serious recession is unlikely because of the Federal Government's determination to adopt stimulative policies, if necessary."

Samuel M. Kennedy

Such warnings have been issued regularly each year since the end of World War II. It goes without saying that the rationalization of pessimistic views, if made consistently year after year, will eventually appear correct.

More optimistic forecasters each year express the confident view that our economy will continue strong, adjusting and compensating by sectors at times, but maintaining over-all prosperity and growth. In retrospect, our economy appears to have done just that, with individual sectors adjusting from quarter to quarter, and with some periods of excessive inflation or deflation.

Full production and employment have been supported time and again by consumer demand, one of the least understood, but most important segments of our economy. If businessmen gear their operations to exploiting the enormous consumer market for goods and services; if they continue to expand their plant and equipment; if government spending remains strong, there is no reason why 1957 should not match 1956 in sound economic growth.

Nor is there any reason why aggressive, enterprising firms should mark time in anticipation of soft spots in the economy.

Food Industry Outlook

The food industry is a good example of an industry that has adapted its operations to the needs of its customers, and to the changing character of the American consumer. Both food processors and distributors have adjusted well to their new environment where food technology and marketing opportunities take precedence over traditional methods of operation.

With production, employment, wages, purchasing power and retail sales expected to continue strong, the economic outlook for the food business in 1957 appears very promising. The post-war trend of increasing total food sales, in terms of constant dollars, can be expected to continue.

Some of this increase can be attributed to our steady population growth. But a more important reason for rising food sales is increased per capita food spending. Better products, more attractively packaged, and aggressively marketed, have stimulated bigger food budgets for most American families.

If the food industry's growth trend is to continue, consumer spending for food must be expanded, especially as additional income and purchasing power flows into lower- and middle-income groups.

In summary, the economic outlook for 1957 appears promising, despite unsettled world conditions, and the usual year-end concern about the second half of next year. Already conditioned to tough competition, the food industry can be expected to keep pace with our expanding economy. And, as consumer income moves upward, there is no reason why the food sector cannot continue to enjoy vigorous growth in 1957.

JOHN C. KEPLINGER

President, Hercules Motors Corporation

The year 1956 as a whole, and from the standpoint of sales volume, was a good year for the internal combustion engine industry. It was to be noted that there was some decline in sales volume during the last quarter of 1956, but it is anticipated that this may be of a temporary nature, and the year 1957 as a whole to be practically on the same level as 1956. The attitude of the entire industry seems to be one of conservatism, as while there are certain phases of our economy which are accelerating and which will add increased business to the engine industry, there are also other factors that tend to point in other directions.

J. C. Keplinger

Unquestionably there has been some inventory build-up during 1956 which may slow down incoming business for a period during the coming year. Just how soon an upturn will take place and to what extent it will benefit our industry is not clear at the moment, but if business generally follows present forecasts, we may assume that the engine industry will share in this improvement.

At Hercules we expect that 1957 will be a year of further developments of products and sales outlets, and until the trend becomes more clearly defined it would be impossible to make any reliable forecast of what volume of business may be expected in the coming 12 months.

The new interchangeable models of gasoline and diesel engines, previously exhibited at the Society of Automotive Engineers show in Detroit, Jan. 14 through 18, will be on display at the Road Show in Chicago, Jan. 28 through Feb. 2, for the first time. The interest in these models has been considerable, this interest being reflected in new accounts and the opportunity for a further diversification of our business. Production of the new models has reached a point where they are now being offered generally to the trade, with the result that indicates that we will be producing these engines in good volume by the end of the year.

Hercules fiscal year ends July 31, 1957, and therefore it must be remembered that the foregoing comments apply to the calendar years of 1956 and 1957.

PETER S. KNOX, JR.

President, The Knox Corporation

As the building industry prepares itself for the long-predicted and much-talked-about decline in home building, we in the prefabricated industry are getting ready for a boom year. This past year 8% of all homes built in the United States were prefabricated, as compared to only 5% just four years ago. The prefabricated industry is now on a steady climb upwards. FHA officials estimate that by 1970, 40 out of every 100 homes built in the United States will be prefabricated. My own prediction is that we will be building 80 to 90 out of every 100 homes by then. I am convinced that in 1957 we will capture 10% of the building market!

P. S. Knox, Jr.

There are several reasons for this rapidly growing trend toward prefabrication. While prefab manufacturers have long been able to provide "more for less" in the lowest price ranges, we can now compete successfully with conventionally built homes in the low cost, medium and higher priced brackets. Today, the couple looking for a $17,000 home will get as much of a better buy on a prefab as the couple which only want to spend half that amount.

As is so often the case, the success of prefabrication is generating further successes. In communities such as Fort Wayne, Indiana, where prefabrication has become generally recognized as the way to produce better homes for less money, we are already putting up over 75% of all the new homes.

One important fact is that architects have become interested in prefabrication and, conversely, prefab manufacturers have recognized the importance of fine design. With their growing resources, prefab manufacturers have been able to buy the best architectural talent, and improvements in design and space utilization in the last years have been remarkable.

The growing buying power of prefab manufacturers is inducing suppliers to give us the best in quality materials, service and promotional assistance. For a long time, suppliers were indifferent to our industry. Now, companies such as Johns-Manville, Frigidaire, Hotpoint, duPont, and many others are competing actively for the prefab market which offers them concentrated volume sales at a low sales cost. The prefab industry and our customers are now benefiting from the research efforts of these suppliers.

One very important fact which will contribute greatly to the prefabrication boom in 1957 is that the Defense Department has approved "stressed skin" prefabricated homes (those with plywood sheating nailed and glued to all framing members) for military housing. Under the Capehart program passed by the Congress, $2.3 billion worth of houses will be put up in the next two years for servicemen and their families. This will be the greatest building boom on military family homes we have ever had, and prefab manufacturers will now get a large share of this business.

The Knox Corporation is already completing one military housing project. A few months ago we were awarded a contract to provide 50 homes for the Redstone Arsenal, Huntsville, Alabama. The prefab industry, with its mass production methods, has a tremendous advantage in its bid for contracts under the Capehart program. The program calls for the construction of fine "civilian-type" homes at an average cost per family unit which may not exceed $16,500, including the complete house with heating, plumbing, electrical system, refrigerator, range and hot water heater.

We at Knox expect a sales increase of approximately 20% in 1957. Our location in the center of an area which includes a large proportion of the country's military installations, as well as the rapid industrial development of the Southeast, will contribute to Knox's growth at a more accelerated rate than that for the industry as a whole. However, the entire industry, with its ever greater ability to provide better homes for less money, will increase its sales by at least 10% during the coming year.

H. F. KRIMENDAHL

President, Stokely-Van Camp, Inc.

The general economy for 1957 is expected to be slightly increased over 1956, 3 to 5% in growth volume for the gross national product. Part of the gain will represent higher prices while physical total production increases will expand about 2 to 3%. The current high rates of employment, personal disposable income and population increases, are prime factors contributing to the increased general economy, as well as to the rising volume of sales and production in the food industry. In addition to these prime factors, the Washington Administration has instituted programs such as the soil bank acreage reserve, current consideration in Washington for a floor under price supports, the 480 program increasing export movement of foods, as well as the sustained military and school lunch buying programs. All this will contribute to a favorable balance between current supply and demand for this season's pack of seasonal and non-seasonal commodities.


H. F. Krimendahl

In spite of the tight money condition many statisticians point up today as a caution sign, the large spenders, government, business and consumers, will spend more in 1957 than 1956. Government, Federal, State and local expenditures will be up some $4 billion over 1956. Business programs forecast a rise in plant and equipment of about $4 billion and the consumer will spend more because the disposable income will be higher. Consumer spending and trends in purchasing may produce some shifts in the goods and services purchased. However, no rapid declines or reversible situations can be foreseen at this time, in my judgment, due to the overall balanced condition in inventories, employment, and disposable personal income.

I expect the food industry and my company will share in the increasing volume of sales and profit. The food industry today continues to offer the consumer greater relative value by lagging behind the more rapid all-product rise in prices. The management ability in the food industry to offer greater quality, better and more convenient foods at lower comparative purchasing dollar indices year after year, has led to a solid marketing position for the entire industry. During the past six months when production in the industry has been the highest on record for many commodities, we find oversupply of processed food substantially non-existent. The average person in the United States today is eating better than the richest person of 50 years ago. This average person will eat better in 1957 than 1956 with the current engineering and marketing developments taking place on a day to day basis. If the American public continues to purchase more of the quality processed and convenience foods, the industry will again be forced to raise forecasts for sales and production.

RALPH N. LARSON

President, The Morris Plan Company of California

From the viewpoint of consumer credit, I can see nothing but a continuation of good business in the year ahead. While money will continue to be tight, there will be plenty of it to meet all consumer requirements. The rapid repayment and turnover of this type of lending provides this. Certainly consumer credit will continue to be one of the dominant factors in our economy, and its total increase need not be feared so long as our national economy continues to expand. The sound program of maintaining a tight money market should have a beneficial effect on leveling off to some extent the velocity of rise in our economy. The increase in population, the increased standard of living made possible by better earnings, together with the expanding suburban living, gives certain assurance that 1956 will have seen a low point in the production of new automobiles for several years to come. All these factors are based on no major war, of course. Certainly 1957 will be a good year, and any leveling off of business or tight money problems should only be looked upon as healthy checks in the upward swing of our economy.


Ralph N. Larson

ARTHUR D. LEWIS

President, Hawaiian Airlines

Virtually all phases of economic activity in Hawaii should continue at record levels in 1957, with most indices of activity exceeding 1956 levels. It is anticipated that military expenditures will be greater than 1956. Private construction will exceed 1956, and production in the sugar and pineapple industries should continue at record levels.


Arthur D. Lewis

Population should continue the upward trend of the past several years. Tourist arrivals should exceed 1956 levels by about 15%.

The highest rate of economic activity will continue to be in Honolulu, although some improvement will be felt in the economies of the adjacent islands. Inter-island air passenger traffic should increase 5 to 10% over 1956, with the increase stemming principally from greater tourist activity.

Both trans-Pacific steamship and airline accommodations should increase substantially in 1957. During the year, regular service will be provided between San Francisco and Australia in two new vessels—the SS Mariposa and the SS Monterey—operated by the Matson Navigation Company—with en route stops at various South Pacific ports. The Hawaiian Steamship Company will introduce the new SS Leilani serving San Francisco-Honolulu, with her maiden voyage in February. The Matson Navigation Company will introduce the SS Matsonia—sister ship to the SS Lurine—to serve San Francisco-Hawaii by the summer of this year. Availability of these accommodations, plus augmented airlines schedules, will result in a substantial increase in tourist business throughout the Pacific Ocean area. This is particularly true if conditions in Europe and in the Mediterannean remain unsettled.

HOWARD F. LEOPOLD

President, Ero Manufacturing Company

Two clouds hover before the industrial scene in America as 1957 gets under way—one is domestic; the other, international. But as sometimes happens, these clouds may merely be the prelude to a sparkling rainbow.

On the domestic scene, the warning signals will be overextension of credit through instalment buying and inflationary pressures which will follow labor's expected demands for wage increases. Overseas, if the crisis in Hungary and the Middle East continue, the effect on our economy will have to be reckoned with in any prognostication.


Howard F. Leopold

It is my hope of course that the storm clouds are dissipating and that the thunder we hear now is just the rumbling of a dying storm. If this is so, the rainbow looks mighty bright, and we at Ero Manufacturing look to a 10% increase in the general economy. I base this prediction on the belief that our economy continues sound. The stock market's behavior during the past year, bolstered by the public's stand at the general elections last November, are a reflection of public confidence in the economy—a necessary ingredient for prosperity.

Employment is at a record high, and there is a trend toward keeping more older people on the job and earning. Salaries are sufficient and in the over-all picture, the American sinew has never been stronger.

In our industry—auto seat covers—sales should increase faster than the economy as a whole. I base this prediction on the ever-growing market for our products, which last year registered a 10% increase in sales over 1955, hitting the $250 million mark for the first time. Adding this increasing rate of growth in our industry to the expanding economy as a whole and to the backlog of orders already accumulated, we at Ero anticipate a 20% increase in automobile seat cover sales for 1957. Our company's other lines, notably hassocks and folding tables and chairs, are expected to show similar increases.

Here are some of the other reasons for our optimism.

The American consumer today enjoys a lighter work week and more leisure time than ever before. This gives him the opportunity to enjoy a higher standard of living, not the least of which is ownership of an automobile, and perhaps two or even three. Consequently, there will be more cars on the road in 1957 (an estimated 65,000,000) than at any time in history. Furthermore, a high proportion of these cars (60%) are in the three- to nine-year-old age bracket, ideal for replacement business.

Americans today own more cars than they own homes. Car registrations have increased 92% in the last ten years, four and a half times the increase in population.

All of which means a greater use of auto accessories, including seat covers. Americans have come to learn that a neat, clean interior is as important to prestige and resale value as the outside chrome and the inside motor. In addition, better incomes mean that what Americans of yesteryear saw as a luxury is today a necessity. Until recently, our highest priced seat cover retailed at $40. One of our major customers is now successfully selling a $70 set.

Our industry also has been helped appreciably by the development of several new types of seat cover materials, notably: transparent vinyl plastic, which protects but does not hide the beauty of delicate original upholstery; puffed saran, which appeals to the style-conscious market; and terry cloth, which has been used for multi-purpose slip-on covers.

There is no denying that 1957 will be a highly competitive year. Homes are selling at an all-time high; car sales are brisk; individual savings accounts, the banks report, are breaking more records.

This means that the age of personal selling is back with us again. The consumer dollar is there for the salesman who will go out for it with new merchandising and promoting methods.

We at Ero propose to increase our promotional and sales programs to keep in step with the customer who is there—waiting for the salesman with the better product and the more attractive proposition.

F. HAROLD LOWEREE

President, Monumental Life Insurance Company

The outlook for 1957 for broadening and increasing the ownership of life insurance in this country is, I believe, extremely encouraging. The progress which the life insurance companies can make in this direction is tied in very closely with the general economic background of the times. The present strength and vigor of the economy will in all probability continue throughout 1957. Total employment should remain at its present high level, and disposable income per family should continue its present rate of annual increase. I expect that for 1957 this figure will reach about $5,400 per family, which would be an increase of approximately 8% over 1955.


F. Harold Loweree

In spite of the tremendous gains which have been made in the ownership of life insurance in the last decade, even now life insurance is owned by only about 63% of the total United States population. Ownership per family is only equal to about one year and four months of family disposable income. Unless we should have war or an extreme depression, (neither of which I think is likely) it is probable that the present high birth rate will continue. These factors, combined with the present trend in the industry of making life insurance policies more flexible and adaptable to varying needs, offer ample opportunity for the sale of new and additional life insurance. The increase in disposable personal income will make possible the purchase of new insurance and, what is perhaps of greater importance, will make it possible for policyholders to continue to pay for life insurance policies already owned.

Two factors which are of primary importance to life insurance companies are investment earnings and mortality. The enormous demand for new capital which will exist in 1957 for plant and equipment expansion and improvements, public works and housing, as related to our annual savings, should result in interest rates equal to, or higher, than at present. Assuming that the country will not become involved in a large scale war, medical research and improved and broadened hospital and medical care for a greater portion of the population should result in a continuation of the favorable trend in this country toward lower mortality.

Undoubtedly, all life insurance companies will be faced with higher operating costs. I believe that these higher costs will not be completely offset by investment earnings and mortality improvement and, therefore, I do not expect to see the net cost of life insurance ownership lower than at present.

To summarize, I believe that the 1957 outlook in the field of life insurance would properly be termed to be very good.

Continued on page 46

Continued from page 45

MATT LITTLE

President, Quam-Nichols Company

Our company manufactures loudspeakers and other components used by the manufacturers of radio and television receivers, interoffice communication systems, sound installations and other audio devices. A large portion of our production is used in original equipment; a smaller portion in the service field as replacement parts. Not so many years ago our sole market for loudspeakers was in the radio receiver field, but year after year new uses are being developed. As an example, a considerable number of small speakers have been used in the toy field in the past several years. Our market today is at least three times our pre World War II market and there seems no end to the expansion.

Matt Little

Our performance in 1956 closely followed the performance of the radio and television industry where our sales are the greatest. It was a year of substantial quantities but subnormal profits—a shaking out period. Many large companies which had sought a position in the radio and television industry decided to leave the business to the specialists. These companies either sold their businesses to other manufacturers or were liquidated. Some smaller companies have marged or failed. This "shaking out" process has for the most part been completed and 1957 appears to the writer to promise better things.

The radio and television industry perhaps offers more dollar value to the consumer than any other. When you consider the hours of entertainment and the dollar value of entertainment which is viewed on a television set costing as little as $100 the value seems fantastic. Other uses for electronic devices are being developed daily and research which will in time make existing units obsolete never ceases.

This constantly expanding market and the fact that fewer companies will be competing for the market bodes well for our industry. With fewer companies competing, profits should be more substantial and dollar volume should be ever on the increase.

HARRY J. LOYND

President, Parke, Davis & Company

Parke-Davis sales increased approximately 10% during 1956 over the earlier year, and I expect a similar rise for the coming year.

Our research scientists will concentrate on meeting the growing health needs of the world by continuing an active research program for development of medicinals to combat cancer, cardiovascular illnesses, mental disorders and virus diseases, including the common cold.

Harry J. Loynd

We plan to expand our research program in 1957 to a total of over $8,500,000. This will include initial expenditures of constructing a new $10,000,000 Medical Research Center at Ann Arbor, Mich., which will enable Parke-Davis to strengthen its leadership and make greater progress in its studies aimed at finding answers to major health problems.

Although research experts have not yet isolated the cause of cancer, their concentrated efforts during the past year have brought them much closer to the answer to this deadly disease.

The growing emphasis on research has caused a greater need for more young persons to become actively interested in scientific careers. Rapid technical advancements in other industries during the past few years have brought about a critical shortage of engineers and other technically-trained specialists. Unless the youth of today expresses an even greater interest in pharmacy and medicine, the health teams may be faced with the same problem.

H. H. LUNING

President, International Packers Limited

The ability to forecast prospects in the field of supplying meats to the world from countries having an exportable surplus is under normal circumstances difficult but becomes increasingly so when the international situation is as complicated as it is at present. There are, however, a few basic factors which can be pointed out which will affect the situation in the coming year.

The large meat exporting countries — Argentina and New Zealand—will apparently have a satisfactory supply of livestock available. Countries with lesser surpluses, such as Uruguay, Brazil, and Australia, will be able to contribute moderate amounts to the world supply. As a general comment, it would appear that beef will be in good supply, lambs in fair supply, sheep in good supply, and pork in somewhat reduced supply.

With England, the largest single market, facing the prospect of some economic slow-down resulting from Suez, general price levels should have a tendency to decline moderately unless there is buying by governments for stockpiling or feeding the unemployed.

There remains a general shortage of refrigerated shipping space, which has contributed to a world increase in freight rates and this, coupled with higher labor costs, will result in a lower return to the producer unless the spending power of the consumer can be increased.

There has been no change in the overall world shortage of meat proteins, the consumption of which is limited only by the ability of many areas to purchase. In general, I would look for relatively stable conditions, with fair prospects in 1957.

J. R. MacDONALD

Chairman of the Board and President, General Cable Corporation

According to available figures, the electrical and communication wire and cable industry in 1956 made important strides forward both in volume of production and earnings. The substantial increase in capital expenditures in 1956, aggregating approximately $35 billion (22% above the previous high of 1955), the continued and accelerated growth of the public utility companies, both electrical and communication, and the plentiful supply of copper beginning in the second quarter of 1956 were prime factors in this accomplishment.

Our projection for 1957, based on the estimates of demands of our customers and the published reports of business conditions in 1957, is for a continued growth in the demands for electrical and communication wire and cable. This is tempered, however, by the tightness of the money supply which may result in the deferment of some capital expenditures by the utilities or in the capital expenditure programs of industry generally. Nevertheless, present indications are that the power utilities, telephone industry, construction and the electrical manufacturing industry all will show substantial increases in 1957 over 1956.

American Telephone & Telegraph Company has already announced an increase in capital expenditures for 1957 in excess of 13% over the amount spent in 1956, which increase should be matched by the independent telephone system; the power utilities are estimating an increase in expenditures for generating equipment, distribution lines, etc., of approximately the same percentage. The Department of Commerce and the Securities and Exchange Commission in a joint report stated that for the first quarter of 1957 capital expenditures would be at a rate of over 8% above the 1956 rate; other reports are even more optimistic.

In the light of such estimates and with an indicated adequate supply of basic metals, i.e., copper, lead and aluminum, General Cable and the industry generally should surpass its accomplishments of 1956.

Furthermore, what is even more encouraging from the viewpoint of our industry is the fact that the long-range forecasts of growth by the power and communication industries are constantly being revised upward; such revisions apply both to capital expenditures and estimates of power consumption and use of communication facilities. For example, one of the leading power utilities recently announced that its construction budget for 1957 will be at a record breaking level and that its construction forecast for the 1952-61 period was just revised upward for the third time. The present budget for that period is approximately 50% above the original figure.

FREDERICK MACHLIN

President, The Armstrong Rubber Company

Operations of The Armstrong Rubber Company and its wholly-owned subsidiaries during the fiscal year ended Sept. 30, 1956, resulted in the largest dollar volume in the history of the company. Armstrong is a leading manufacturer of tires for the replacement market and of foam rubber and allied products. Net income reached a higher level than in the previous year, despite interruptions in production, the incurrence of unusual costs and intensified competition for the replacement market.

Frederick Machlin

Consolidated net sales of the company and its wholly-owned subsidiaries for the fiscal year ended Sept. 30, 1956, totalled $71,313,421, an increase of $2,331,555 or 3.4% over the previous record of $68,981,866 in the 1955 fiscal year. These figures do not include results from the company's 50%-owned affiliate, Armstrong Tire & Rubber Company of Natchez, Miss. Combined net sales of The Armstrong Rubber Company and this affiliate, eliminating intercompany sales, amounted to $90,121,645, an increase of 7.6% above sales of $83,788,171 in the previous fiscal year.

Consolidated earnings before taxes amounted to $5,489,963, as compared with $5,328,133 in the previous fiscal year. After provision for Federal income taxes, consolidated net income amounted to $2,797,963, equal to $1.80 per share on the 1,553,886 common shares outstanding on Sept. 30, 1956. The 1956 net income was the second highest in the company's history. For the fiscal year ended Sept. 30, 1955, consolidated net income amounted to $2,734,133, equal after dividends on the preferred stock which was retired July 5, 1955, to $1.74 per share adjusted for the common shares outstanding on Sept. 30, 1956.

The financial statements of the company's 50%-owned affiliate, Armstrong Tire & Rubber Company, and Copolymer Rubber & Chemical Corporation, in which Armstrong Rubber has a 28.6% interest, are not consolidated with those of the company. The net income of these affiliates amounted to $4,008,362 for the 1956 fiscal year. After deducting dividends of $258,000, received during the year, Armstrong Rubber's equity in these earnings totalled $1,089,756, equal to 70 cents per share on Armstrong common stock.

The market potential for tires in fiscal 1957 should be better than ever, based on such factors as expected good business conditions, an increase in motor vehicle registrations, and a larger replacement market resulting from the record number of new cars sold in 1955. The rise in new car production should relieve some of the intensive competitive pressure on the replacement market. The new $50 billion highway building program should provide another stimulus to the continued long-term growth in tire sales. Indications are that Armstrong will achieve still higher sales in 1957, and these should be accompanied by satisfactory earnings.

FRED MAYTAG II

President, The Maytag Company

The outlook is good for sales of laundry equipment in 1957. Another record year is in prospect, due to the dynamic growth of three postwar products — clothes dryers, automatic washers, and combination washer-dryers, and the continued strong position of wringer washers.

Fred Maytag II

Continued demand for laundry equipment reflects not only the high over-all family income, but its continued redistribution on a broad scale, both of which trends should continue in 1957. The high birthrate, resulting in increased numbers of families with children, as well as larger families, is another continuing stimulus to sales of the newest and most efficient models of laundry equipment.

Remodeling of homes and moving to larger quarters are expected to continue to add sales stimulus to that provided by new home building.

More limited availability of credit in 1957 is not expected to be a significant deterrent to laundry appliance purchases, since it is short-term and comparatively attractive to lenders. Credit problems are more likely to affect appliance dealers than retail consumers.

The laundry equipment industry has been marked by mergers during the past year or so; very rugged competition is perhaps the main prospect in view in 1957. As a consequence of this, consumers will find it hard not to be convinced that 1957 is the year to replace the old 1950 white model washer or dryer with a new 1957-styled, modern-design model in their choice of colors.

JAMES A. McLAIN

President, The Guardian Life Insurance Company of America

Life insurance purchases set an all-time record in 1956, totalling (according to estimates at this writing) better than $55 billion of protection. This is an increase of close to 15% over the industry sales in 1955, and put the total protection in force at the year end well over the $400 billion mark.

James A. McLain

The business forecasts we have seen for 1957—particularly in capital goods expenditures and personal incomes — would indicate that this will be another excellent year for the American economy. On that basis, there is every reason to believe that our industry can expect another increase in 1957, with sales of better than $60 billion of protection.

It is interesting to note that more than half of all life insurance in force today is on plans which have either been created or received their major development in the past 25 years. Continued emphasis by the industry on the development of new and improved forms of coverage to fit the changing needs and desires of the American people will be an important factor in a steadily rising volume of life insurance sales.

An important challenge that our industry—and, indeed, the entire country—must face in 1957 is the threat of continued inflation. After a three year period of comparative price stability, the pressure of rising costs in 1956 brought widespread price increases.

A very important weapon in the fight against inflation is an increased emphasis on personal savings. And since life insurance is one of the chief depositories of the peoples' savings, our efforts to achieve new sales records in 1957, to divert a large percentage of the increased personal income from consumer channels into life insurance premiums, can make an important contribution to an easing of inflationary pressures.

Increased emphasis on savings through life insurance in 1957 can also help eliminate one of the most important problems that the American economy faces today —"tight money." An increased flow of premium dollars to life insurance companies this year will mean additional capital funds available to meet the needs of business and industry for increased productive capacity. Present indications are that close to $6,000,000,000 of new capital will be made available in this manner in 1957.

A. W. McKINNEY

President, The National Supply Company

We anticipate that 1957 will show an increase of approximately 10% over our 1956 volume. We are affected by the Suez situation and will do very little business in the Middle East until the situation is clarified there.

However, we do expect that the increase in anticipated oil demand from the Western Hemisphere to supply Europe's need will add impetus to the demand for our products in the Western Hemisphere, more than offsetting the decline we can expect in the Middle East demand.


A. W. McKinney

We do anticipate some price advances in the coming year which we doubt can be wholly compensated for by increased selling prices, and the absorption may have an effect on profit margins.

Extension of long-term credits is of vital importance to us, and with the tight money situation we anticipate requirements for larger down-payments and reduction in the length of credit time.

We are hopeful that the labor situation will be reasonably stable in the coming year but we do anticipate some increased labor costs on the strength of certain contracts we have with labor unions providing for automatic increases. Whether or not these can be compensated for by increased selling prices for our products, is problematical at this time.

DONALD H. McLAUGHLIN

President, Homestake Mining Company

Continuation of the prewar monetary policies with regard to gold has, as is inevitable, made the going harder and harder for the mines dependent for their profits on this strategic metal. In spite of the false assurance given by certain indices, based on misleading averages, the paper dollar continues to depreciate as do practically all the managed currencies of the world. With the debts from past wars and governmental extravagances still to be paid, and with costly new adventures and social experiments still to be anticipated, only a blind optimist could assume that the end of the inflationary cycle is near. The pressure of union leaders to raise wages at a rate more rapid than can be justified by increases in productivity is another powerful inflationary factor. Annual advances in wage rates that are now written into union contracts as specific percentages come close to being a guarantee of continued inflation. Labor is perhaps to be congratulated in its ability to keep ahead of the procession; but the success may be temporary and dangerously costly to the working man as well as others in the long run.


D. H. McLaughlin

It is something of a paradox that the producers of the monetary metal that in itself provides the best protection against depreciating paper money should be among the worst sufferers in the current inflation. Strangely enough, gold miners must be listed with people on fixed income, with holders of insurance, bonds, and savings accounts, who are the hardest hit by the depreciation of the dollar.

The gold miner, however, is still sustained by the well justified expectation that sooner or later in the cycle the persistent value of gold will prevail and will have to be recognized. At that time the depreciated paper moneys—at least the portion of them that preserve some residual value—will necessarily be redefined in terms of gold and the abuses of the past written off.

Opinion, however, among the professionals in the field of money and economics continues to be divided. On one extreme side we find the money managers who are quite confident of their ability to meet the problem of financing governments and the economy of their country (if not the world) with credit in its various complicated forms, with little or no concern about the relation of their currencies to gold, present or future. (Their position implies a faith in the integrity of governments that is hard to justify on the record. Under their guidance, continued inflation, seems a certainty, in spite of admittedly earnest efforts on the part of most of them to restrain it. They tend, however, to treat symptoms rather than the cause of the disease.)

On the other hand, we still have with us the rigid redeemers who urge that the gold standard and full convertibility be restored without change in the ratio of gold to the dollar. Their solution requires that either (1) the dollar regain its old purchasing power, or (2) gold itself share in the depreciation of the paper dollar. The first alternative means deflation on a scale that would be politically and socially impossible or disastrous. The second alternative would be possible only if gold no longer commands international respect as a monetary commodity or if the output of the gold mines of the world since the last revaluation had augmented the supply of monetary gold at a rate far greater than the needs of the expanding economy. Since the first of these alternatives will certainly not be faced, and since the second is not in accord with the facts, it seems very unlikely indeed that the objectives of the ardent advocates of a restoration without change in the price of gold could possibly be realized.

Gold production in the few years before the second world war did indeed take a great surge forward under the stimulus of the devaluation of the dollar in 1934. Since the outbreak of the second war, however, the depreciation of the dollar as well as other currencies and the fixed price of the dollar in terms of gold resulted in such drastic reduction of profits from gold mining that the output of the world's gold fields has steadily declined, as one mine after another became marginal and was forced to shut down.

The only exception to this pattern was in the Union of South Africa where two extraordinary circumstances modified the traditional response of gold mining to depreciation of currencies, viz., (1) the development at great expense of deep mines in the newly discovered gold fields of the Orange Free State, and 2) (the recovery of uranium as a by-product from the gold ores of a number of large mines. This reversed the expected downward trend, though not to a degree that made world production of gold adequate to meet the monetary demands at the prewar ratio of gold to the dollar. Without the stimulus from these activities, however, the output of gold from this dominant source would have been drastically curtailed even by 1956. As it is, new mines of the Orange Free State are replacing the production from certain declining mines of the Rand; and the profits from uranium are prolonging the lives of several immense older operations that otherwise would have been closed by costs catching up with revenue from gold.

In a sense, the maintenance of production of gold at its fairly high level in South Africa has been due to funds provided by the United States Government in the form of favorable contracts with the Atomic Energy Commission under which costly plants for recovery of the small content of uranium in the gold ores were built and their output of concentrate of uranium oxide purchased at negotiated guaranteed prices. Tnese contracts were at the time fully justified for the metal was urgently needed and the known deposits of better grade ore appeared to be limited. Exploration for uranium in the United States had not then achieved sufficient success to insure us of adequate domestic supplies, and foreign sources of assured uranium content could not with safety be neglected. Unfortunately our gold ores contain no uranium, but to the miners in the United States it is more than a little painful that the South African gold producers are now enjoying special benefits provided by an agency of our Government, whereas our own gold mining industry is gradually becoming extinct. The benefits to the world, however, from this indirect subsidy to the production of gold are not negligible, and in the long run may bring us a better return than many of the dollars that have gone abroad in the form of foreign aid.

The American gold mining industry has not asked for a subsidy, such as has been paid in a number of other countries, but if no change in monetary policies with regard to gold is made in the reasonably near future, it may be the only way in which the few remaining mines can be kept open. Some voices are now being raised in favor of such aid. To be effective, it would have to provide a substantial increase in the net price for gold received by the domestic miner. With the drastic reductions in the net gold balances of the country—i.e., the monetary gold supply less short-term foreign claims against it—a strong argument can be made in favor of the modest expenditure that would be required to revive the domestic gold mining industry; and such proposals may well deserve thoughtful consideration by Congress in the year ahead.

Annual consumption of gold for industrial purposes still exceeds the output of the domestic mines. The miner is forced to sell his gold to the Mint at $35 per ounce; and a licensed user of gold can obtain gold at this price from that source. This indirect subsidy of the consumer at the expense of the miner could be easily terminated by removing restrictions on ownership, purchase and sales of gold by American citizens and by limiting sales of gold by the Treasury to monetary transactions; thereby allowing the producer to supply the industrial market at whatever price the demand could create. Bills along these lines were introduced in the last Congress, and it is hoped that they will be again considered.

Such aid, if forthcoming, should be regarded only as an emergency measure. The far-sighted action would be restoration of the gold standard with the already depreciated dollar made convertible into gold at a ratio that properly reflects its current worth in terms of the persistent and enduring value of gold.

In a resolution adopted by the American Mining Congress at its western meeting last October, the following action was recommended:

(1) The restrictions on the purchase, ownership and sale of gold and silver by United States citizens be abolished.

(2) To provide a sound basis for our currency, the Treasury be required to purchase at the monetary price all newly mined domestic gold and silver tendered by producers.

(3) To preserve and improve the backing of our currency, all present stocks and future acquisitions of gold and silver be utilized by the Treasury for monetary purposes only, and that neither metal be sold by the Treasury for industrial uses.

(4) Congress fix the ratio at which the dollar and gold are to be made fully convertible and determine other technical procedures involved in the restoration of the gold standard, after receiving the recommendation of a Commission of its creation, to which men skilled in appraisal of the worlds' potential gold supplies as well as men of competence in domestic and international finance and trade should be appointed by designated Government authorities.

(5) The Administration recognize the historical and traditional attachment to gold and silver money through out the world and, as a part of its foregn policy, aid and encourage other governments in restoring gold and silver coinage as a circulating medium, as a standard of value, and as a form of conserving intrinsic wealth.

This clearly expresses the view, not of the gold producers alone, but of the entire mining industry, and we are confident that far reaching benefits to our country as well as to our own activities would be gained if the recommendations were followed.

In gold, the world possesses a monetary commodity, accepted internationally without question, that if employed with skill can be one of the major factors in restoring stable money with all the benefits in trade that are dependent on it.

Wise policies with regard to gold at this time would go far on one hand toward restraining inflation, and on the other toward lessening the severity of the deflationary cycle that is all too likely to follow the feverish prosperity we are now enjoying. Let us hope that our leaders who set monetary policy will take advantage of the opportunity to use our gold effectively for our own welfare while we still have it.

ADRIAN O. McLELLAN

President, Merchants National Bank & Trust Co., Fargo, North Oakota

It now appears that the demand for bank loans in 1957 in this area will be even greater than it was in 1956 and that this increased loan demand will come from a cross-section of our customers. It is doubtful if new housing loans will be as high as 1956 due to the fact that money for this purpose will be in short supply, but it is believed that the borrower with a fair down-payment and adequate earnings will still be able to finance a new home. Commercial construction, new schools, and road construction should be greater than in 1956.


Adrian O. McLellan

This is an agricultural area and crops in the area as a whole were good in 1956. In spite of this good crop, indications are that the demand for agricultural loans will be on the increase. The area had some late fall moisture that should aid in starting the crops in the spring.

The profit margins in farming have been narrowing during the past several years and the high cost producer is finding it impossible to make a profit. The larger farms appear to have an advantage in production costs over the small operator with the result that land prices will remain on a high level as the demand for land is strong as operators seek more land to add to the size of their units.

Fargo is a wholesale distribution center for a large area to the west and continues to grow in importance in this field. There is an increased number of firms showing interest in locating in this area and some of these firms have indicated that they may open here in 1957.

We expect 1957 to be a good year in North Dakota.

W. B. McMILLAN

President, Hussmann Refrigerator Company

Nineteen hundred and fifty-six was our best year on record in the sale of equipment to retail food stores, but present indications point to 1957 surpassing it.

While the amount of new non-farm residential construction for 1957 will probably be somewhat less than in 1956, we do not believe that a similar decline will occur with respect to the building of new and major remodeling of old, well-located food stores. The reason for this apparent paradox is due to the increase in volume and decrease in operating costs arising from well-located, well-arranged and equipped stores. The replacement of inefficient stores has not kept pace with the movements of population and the advantages of economic operation, and, therefore, a continuation of a high level of activity in our field appears probable.


W. B. McMillan

While a continuation of prevailing high money rates appears likely, the sound justification for new stores more than justifies their construction or remodeling, as the increase in rental costs arising from increased money rates is but a small portion of the profits arising from such an operation. The fact that capital required is so well justified leads us to believe that the sound programs of our customers will be able to secure the necessary funds.

Continued on page 48

Continued from page 47

RICHARD S. MORSE

President, National Research Corporation

The field of National Research Corporation, while apparently diversified in such directions as research, chemicals production and equipment manufacture, is basically quite simple. Our operations are in almost all cases related to materials. We believe that materials—new chemicals, new metals and alloys, new processing equipment — were never more important to industry, commerce and to the ultimate consumer for reasons of national defense, economy, and individual well being.

R. S. Morse

Our pattern of operation will remain basically unchanged in the foreseeable future. We aim to continue our efforts in research directed toward the development of new materials and new or improved processes to produce them.

Our level of research activity in 1957 will be over $3.0 million with emphasis on rare metals, petrochemicals and protective coatings. As in the past, we will continue to make a limited portion of our technical and research talents available to strengthen the military potential of the U. S. in cases where our background is specifically related to the problem. Our plans for continued high level research expenditures are, I'm sure, typical of others who also recognize its importance for growth, new products and in many cases to stay in business against competition that is doing the same thing.

Much of our earlier research activities have entered various stages of commercialization.

In rare metals, 1957 will see the arrival on stream of a minimum of 2.5 million pounds per year of new zirconium metal production capacity. This amount and probably more will be sold to the AEC and distributed to contractors building reactors and cladding nuclear fuel elements for the Navy's ship propulsion reactor building program. Probable production capacity is nearer 4.5 million pounds and efforts will be initiated to develop commercial applications and markets for zirconium taking advantage of its corosion resistance. The market for commercial grade zirconium could easily exceed the market for reactor grade material in the next five years as factors including production experience and volume reduce the current $4.50 to $6.50 per pound price. This initial entry of private industry into the production of a nuclear material will lead the way for other companies ultimately to take over the production and reprocessing of other types of nuclear materials.

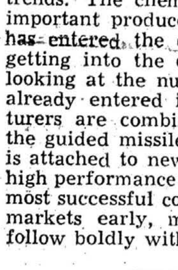
In the process equipment field, NRC is forecasting a 40% increase over 1956. A large share of this business will be in production scale vacuum melting furnaces. This reflects an acceptance on the part of industry of the importance of improving conventional metals such as steels and the adoption of vacuum processes for the production and treatment of high temperature alloys, nonferrous metals, titanium and zirconium and other new metals. This desire of industry to upgrade its product quality by resorting to new techniques and to enter into new fields requiring special equipment provides a continuing market for our products. This seems to be a trend which will continue for a long period with future slackening in demand offset by results of work now in the research stage which will create other new enterprises.

The future promises important changes in industry trends. The chemical industry has already become an important producer of metals. The petroleum industry has entered the chemical field. Metals producers are getting into the chemical business. All of industry is looking at the nuclear field and many companies have already entered it. Aircraft and electronics manufacturers are combining forces and moving rapidly into the guided missile field where even greater importance is attached to new materials such as chemical fuels and high performance metals. Such shifts will continue. The most successful companies will be those which recognize markets early, master the technologies involved and follow boldly with capital and skillful management.

CHARLES G. MORTIMER

President, General Foods Corporation

The food industry approaches 1957 determined to satisfy the increasingly discriminating tastes of American families who are buying and eating more foods of superior quality and greater convenience than ever before.



Charles G. Mortimer

Last year it was generally estimated that consumers would spend $65 billion on grocery products in 1956. Today the consensus seems to be that, when the record is in the books, this figure will be exceeded by at least $1 billion.

The outlook for 1957 and the years to come seems to hold manifold opportunities for the entire food industry — farmers, processors, distributors. An increasing number of Americans are expected to have greater disposable income after taxes in the years ahead, and this additional income possessed by more people should give continuing impetus to the growing urge of consumers to buy more convenience products of higher quality.

We in the food industry welcome the challenge posed by the consumer's desire for better living. For decades our occupation—and preoccupation—in the industry has been to offer the consumer what she wants, to be keenly aware of her likes and dislikes, and to anticipate her needs and desires.

In today's intensely competitive business atmosphere, the thinking and planning of all components of the industry must begin with the housewife in her kitchen—the vital end of America's grocery lifeline.

Products which gain popular consumer acceptance are painstakingly developed and improved—from research through production to packaging, testing, and distribution. Few people realize that, for each product which finds a place on the grocer's shelves, scores of hopefuls fail at some stage of laboratory development or market test because they don't measure up to anticipated consumer requirements or the company's own standards.

The food industry has been successful in the development of packaged grocery products with the kind of built-in quality and convenience consumers want. This is undoubtedly due, in part, to the industry's scientific curiosity and ingenuity in the fields of research, manufacturing, processing, quality control, and marketing.

At General Foods, for example, we have today more than 1,000 people working on research and development, quality control, and consumer services in our Central Laboratories at Hoboken, N. J., in our 12 divisional laboratories located around the country, and in General Foods Kitchens at White Plains.

To provide the most modern facilities in which to broaden and intensify our research and development activities, we are now constructing a new Food Research Center at Tarrytown, N. Y.

General Foods plans to continue to develop and market products of superior quality and greater convenience to satisfy—indeed, to please—the increasingly discriminating taste of American consumers.

We are looking forward to another good year in 1957 wherein it is expected that vigorous consumer demand will have a healthy effect on our economy.

VICTOR MUCHER

President, Clarostat Mfg. Co., Inc.

Emphasis is shifting in the components industry. From **quantity**, heretofore our prime target, we are increasingly concerned with **quality**. After years of developing and building up tremendous productive capacity, including a high degree of automation, in meeting quantity requirements of radio-TV manufacturers and other users of standard controls and resistors, we are now called upon to meet veritable lab and instrument-shop standards demanded of components for critical electronic gear.

Victor Mucher

Whereas radio-TV set manufacturers settle for 10 to 20% tolerances as a regular thing, we are now asked for 1% and closer electrical tolerances along with precision machining, by designers and builders of computers, guided missiles, radars, aircraft electronics and other equipment where low cost takes a back seat to superlative performance.

In our two Clarostat plants we have had to set up new production facilities for turning out extra-critical components. For while it's one thing to operate a mass-production line geared to turning out say 10 cent components, it's something else to build a precision control costing well up in the dollars. Even more so in the case of multiple tandem controls with sections tracking to a fraction of 1%, justifying a unit cost well up in the hundreds of dollars. Not only must materials and elements be checked to critical specifications, but completed assemblies must be tested and checked step by step in attaining ultimate precision.

In our Precision Control Department, set apart from our factory proper, the atmosphere and craftsmanship definitely partake of the usual instrument shop. Elaborate jigs, test fixtures, instruments and even oscilloscopes are very much in evidence not only for inspection but even in assembly operations. Likewise much handwork.

Meanwhile, of course, we still operate the mass-production lines for standard controls and resistors, in supplying radio-TV manufacturers and others who continue to require the usual-grade components. Nevertheless, the high standards of the separate Precision Control Department are filtering back to our regular factory routine so that still better quality is attained within the price limitations.

This quality trend is being reflected in higher dollar volume. Likewise in a better profit picture. Component manufacturers are getting the best "break" in years, for the usual radio-TV business with its large volume and small profit no longer dominates our industry. Especially since radio-TV set manufacturing dropped considerably this past year, yet component production facilities have had to be maintained often in the face of greatly curtailed demand. It might be that, if component production facilities are to be maintained on a standby basis, the buyers may have to do something about defraying a fair share of the cost of idle production facilities before same are converted to other products. It's a situation which well deserves the attention of the radio-electronic industry.

All in all, however, the 1957 situation looks mighty bright. Military requirements continue to demand a large portion of component output. Civilian requirements loom bigger than ever, especially with the prospects of really breaking color TV. Portable TV sets as well as portable radios, together with second and third TV sets in homes, promise many more sales. Servicing requirements are climbinb all the while in keeping existing radio-TV sets operating. New electronics gadgets for home as well as business usages, keep cropping up. picture is bright indeed.

But again let me repeat that the emphasis is shifting in the components industry. For beyond our original problem of mass-producing to a price, we are now quality-producing to superlative performance.

ELLSWORTH MOSER

President, The United States National Bank of Omaha

The past year again reflected the significant relationship in our area between agricultural prosperity and business activity. It is difficult to hazard a guess on 1957. There can be no substantial upturn in our area's overall economy without moisture.

Ellsworth Moser

The second drouthy year has fired a "boom" development in Nebraska's economy. Farmers tapped the great supply of ground water flowing under the state. As a consequence, with two successive years of drouth stifling the production of Nebraska's corn crop, irrigated fields produced over half of the 117 million bushels of corn harvested in 1956.

The economic activity of the area should show an upturn during 1957. A tremendous impact on the economy of many local communities and the state has been created by irrigation development. Striking changes have occurred . . . new industries have sprouted and old businesses have flourished. The state's total of irrigation wells for 1956 more than doubled 1953. Well drilling has continued through the winter months at a rapid rate . . . the financial rewards of irrigation were demonstrated in 1955 and 1956.

Crops are the foundation of Nebraska's farm income . . . and farm income accounts for about 21% of the state's total personal income. Since most of the crops are converted into livestock products, livestock make up the superstructure of Nebraska's agricultural economy. Thus, a two year short feed supply curtailed the production and finishing of livestock, bringing a drop in the net farm income of the state.

Some business indicators reflected what was happening in agriculture . . . soft spots were noted in retail sales and value of manufactured products. However, industrial and business activity in the area showed continued growth. Increases were registered during 1956 for bank debits, electricity produced, gas sent out, postal receipts, and wholesale sales.

General business activity should be as good, or even better, in the year ahead . . . and gains should be substantial if the area is blessed with sufficient moisture. Total income for the state will increase . . . retail sales should be considerably better than 1956. Industrial construction will set new records. Omaha will expand its wealth and extend its growth . . . the resourceful and energetic character of the area's population will lead the continued progress.

SAMUEL B. MOSHER

President, Signal Oil and Gas Company

The expanding economy of the Free World will require ever-increasing amounts of oil. In 1957 we look for continued growth in the petroleum industry at home and abroad. The percentage rate of increase in consumption of petroleum products abroad should continue to be approximately twice our domestic percentage increase.

Samuel B. Mosher

The seriousness of the Suez situation to the Middle East economy will eventually force a resolution of this threat to world peace and problem of the petroleum industry. However, the petroleum and shipping industries and the consumer markets will long remember this incident and will prepare for future uncertainties by adopting a program of increased flexibility. In the meantime, the shortage created by the closing of the Suez Canal will have a very beneficial effect on our domestic industry, because it will undoubtedly bring our inventory surplus into much better balance. Also, allowables in the Mid-Continent will probably be increased to help meet the demand caused by the shortage.

As in the past, the petroleum industry will continue to finance its capital expenditures by retention of a high proportion of earnings. Funds required by borrowing and sale of equity capital will probably be limited to about 20%. I would look for capital expenditures in the United States to increase slightly. However, those companies fortunate enough to have a stake in Western Hemisphere countries other than the United States will probably be responsible for a substantial increase in capital expenditures, some in Canada and Central America, but more particularly in South America.

In fact, Western Hemisphere oil will undoubtedly assume increasing importance in meeting the Free World's petroleum requirements. For instance, recent price increases for California heavy crudes more truly reflect the value and recognize the strategic location of this supply. Price increases in other producing areas throughout the United Stats seem inevitable.

In 1957 the Signal Oil and Gas Company's main interests will be centered upon offshore California, the Gulf Coast of Louisiana, Guatemala, and Venezuela.

G. E. MUMA

President, Divco Truck Division, Divco-Wayne Corporation

Our field of operation, which is automotive, finds us enjoying a very small part, but an important segment, of the total output of motor vehicles. Since we, in effect, are specialists we do not always see the same things in the future as the giants do, although the general health of the industry does to some extent cause our sales volume to fluctuate.

G. E. Muma

In looking into the future for probable conditions we always look back a short distance to see where we have been in order to find any trends that will have a bearing on the near or distant future.

Looking 90 days ahead we see that our volume will be equal or a little better than last year. Gazing into the total six month period, we believe that our volume will be about 3% better than 1956. This is not entirely dependent on general business conditions (which we believe will be very good) but on some efforts on our part through the plan of having new products to offer. Small specializing companies can do much to continue their success by searching out new markets for their existing products and creating new products for markets that can be more adequately served by better products.

In looking forward to the last six months of 1957, we are trying to see things that are beyond the range of our headlights so we have to do some real speculating on what lays in the darkness, that is where forecasting comes into play employing several tools to get an answer, these tools are:

(a) What you believe you can do in promoting and selling your own products. You always plan on going ahead at the pace set up in the first six months and add to this such items as your optimism will encourage you to include.

(b) The accuracy of your first six months' estimate or forecast will aid in finalizing the schedules for the last half of the year.

(c) You are constantly studying and reviewing the information that comes in from your field sales regarding the plans and possible action by your principal customers as well as the trends of the many smaller customers.

In looking ahead for 12 months we believe after weighing all known factors and evaluating the possible variables that our conservative increase in volume will be 3%. A reasonable increase would be 6%, and our most optimistic increase would be 8%, but in all events an increase over 1956.

H. C. MURPHY

President, Chicago, Burlington & Quincy Railroad Company

Despite rising labor and material costs and the burden of regulations which adversely affect the railroad industry as a whole while favoring subsidized competitors, economic prospects for 1957 on the Chicago, Burlington & Quincy Railroad continue to be favorable and suggests a reasonable stable and prosperous year.

Harry C. Murphy

Present indications are that carloadings in the coming year should equal those of 1956, and perhaps exceed them slightly. Heavy booking of steel orders and plant expansion in that industry indicate an increase in the movement of iron and steel articles, while shipments of livestock and packing house products enjoyed in 1956 are expected to continue to the same level through 1957. Trailer-on-flat-car service on the Burlington continues to show gains and it is anticipated that this type of movement will prove even more popular with the shipping public next year. CB&Q freight revenues for 1956 are expected to exceed those of 1955 by 4.10% with passenger revenues for the past year up 4.62% over 1955. Despite these increases, it is estimated that the net income will be about 4.99% below 1955, due to higher labor and material costs which were not fully offset by the increased revenues received during 1956. It now seems apparent that freight rate increases recently granted will not be sufficient to cover all of the increased costs incurred by the railroads.

While the Burlington's car supply in 1957 is expected to be ample to meet most requirements, a continued tightness of high-grade box cars for flour and sugar loading, and a shortage of all classes of box cars during certain peak seasons seems imminent. Ever increasing use of covered hopper cars, particularly by cement manufacturers along our lines, may result in a shortage of this class of equipment also. To meet the growing demand for freight equipment, 1,470 new cars (primarily gondolas, covered hoppers and box cars) will be built by the Burlington next year, and delivery of 52 air-slide cars is expected to be made. In addition, a program of heavy repairs to approximately 1,080 cars will be carried out in Burlington shops.

Conditions generally seem to indicate that passenger traffic on the Burlington will hold up well in 1957, with revenues running upward from 3% to 6% over 1956. The two new Vista-Dome Denver Zephyrs inaugurated late last Fall and extended to provide through service between Chicago and Colorado Springs, are being well received by the traveling public. These trains introduced new and specially designed Slumbercoaches offering single or double coach room accommodations (including armrest seat for day made into bed at night, private toilet and wash basin) at coach fares, plus a modest reserved room charge. Also featured on the new Denver Zephyrs are the latest design in Pullman sleeping cars and chair cars, plus Vista-Domes.

Expansion of our industrial development program and the location of new industries along the Burlington has been very favorable during the past year and a continuation of this trend is anticipated through 1957.

Presently under construction at Cicero, Illinois, is a modern freight classification yard which, when completed, will greatly improve service and speed the classification of freight through the extensive use of the newest electronic devices available for automatic movement of cars.

JOHN L. NEUDOERFER

President, Wheeling Steel Corporation

As we begin the new year, I am optimistic as to the future of the steel industry but I am also aware of the serious problems that we are facing.

On the bright side, the three-year no-strike labor agreement signed in August, 1956 by the major steel companies and the United Steelworkers of America is expected to insure that 1957 will be a year of labor peace. This factor instills confidence in management and labor and is an incentive for future planning. It also bodes well for the economic health of the nation.

John L. Neudoerfer

Another encouraging phase of the industry's position is the constantly increasing per capita consumption of steel, which, combined with the rapidly increasing population, presages unprecedented future demand for steel and steel products. Add to this the steel industry's technological progress in creating new uses for steel and new steel products, and the future appears even brighter.

About the greatest problem facing us is increasing costs. In order for the steel industry to expand to meet the increasing needs of a growing population with constantly rising living standards, it must first stay even by replacing facilities as they wear out. Depreciation allowances based on historical costs do not reflect the real values that should be included in cost, and the amounts recovered each year fall short of the amounts needed just to replace the facilities that are wearing out. With costs rising at their current rate, replacement of an asset after its average useful life in the steel industry of 20-25 years takes 5½ times as much as the original price.

Then, too, there are the factors of increasing wages and benefits for our workers, the upward trend in raw materials costs, higher freight rates and the rising prices for all goods and services.

However, we are confident that, under the free enterprise system, an intelligent consideration of the problems of management, labor and the investor will insure a sound future, not only for 1957 but for the years to follow.

EDWIN P. NEILAN

President, Equitable Security Trust Company, Wilmington, Delaware

Nineteen fifty-seven promises to be another very good year for business. Heavy expenditures by Government and consumers, together with plant and equipment expansion by business, should absorb any minor economic disturbances created by the closing of the Suez Canal and its impact upon the European economy. Any resulting decline in either imports or exports should be offset by increased foreign aid.

Edwin P. Neilan

The national economy may see little or no increase in units of housing or of automobiles sold, but there may be slight increases in dollar volumes due to higher prices. Steel shortages and the wage inflation created as a result of consistent labor shortages keep upward pressures on prices, but the judicious application of a policy of "tight money" by the Federal Reserve Board should keep this tendency under reasonable control. Inventory accumulation will probably be less rapid in 1957 than in the second half of 1956, but a lessening of credit demand for this purpose will be more than offset by the needs of contractors for building schools, public buildings and highways. Just as business activity has been sustained by an increase in the velocity of deposit turnover, it can be sustained at higher levels with an increase in the velocity of loan turnover. Bankers should review loan policies to make certain that funds are not frozen in "long-term" collateral loans to the detriment of the business needs of the community.

Interest rates have assumed normal relationship for the first time since the depression, but this normalcy is disturbing the politicians who ignore the fact that the interest structure was under abnormally low price controls for 20 years from 1933.

Business in the Middle-Atlantic area, and in Delaware particularly, promises to be good. This area continues to grow and expand with more and more industries seeking plant or warehouse locations in order to avoid increased distribution costs due to higher freight rates.

In Delaware, bank loans are at record levels, although little additional growth is expected in 1957 other than in the consumer credit field. Terms in this area have been modified to a more conservative scale. Soft goods sales were good in 1956 and should continue good in 1957 and the construction industry should have an excellent year in 1957 because of the large volume of school, highway and industrial construction. Although broiler prices have been depressed, improved production practices have kept it on a profitable basis even though the profit is smaller. Hatcheries have set an increased number of eggs in anticipation of better production in 1957. Other agricultural income was better in 1956 because of good weather and should remain fairly stable in 1957 likewise.

Personal income should attain slightly higher levels in 1957 and, unless there is a major international emergency, the year should be distinguished by high levels of activity, although profit margins may be somewhat narrower and total corporate earnings slightly below 1956.

J. J. NOLAN, JR.

President, The Central Foundry Company

The year 1957 promises to be another good one for business in general. The professional analysts all seem to agree that the trend of recent years with its rising business volume will continue through the middle, if not throughout the whole of 1957. This expanding business pace brings about a tremendous demand for money. Since the Federal Reserve Board has not allowed the supply of money to increase at the same rate as the demand for it, there is just not enough credit for all who would have it. Thus not all segments of the economy have participated in the expansion that occurred in 1956. It would seem that those who felt the pinch most in this year will continue to feel it.

The building industry, with which soil pipe manufacturing is so closely related, has been one of those segments hardest hit by the tight money situation. Rising material and labor costs as well as a shortage of mortgage funds have brought about a decline in housing starts in the past year. A continuation of these conditions along with the Government's increased drain on the supply of money for stepped up defense spending will probably cause a further decline in home building for this year.

On the brighter side tending to offset these depressing factors for the building industry in 1957 is the predicted increase in building of plant and equipment by private industry. Some estimates of this increase run as high as 10% or more over 1956. Another note of encouragement comes from a look at governmental building programs, particularly those of state and local governments. The demand for schools and other institutional building is undeniable, and, although delays are sometimes necessary, the need must be satisfied. Government action raising the FHA mortgage interest rate will undoubtedly have a favorable effect on home building, 'though how much effect is impossible to say. The raising of interest rates by banks and savings institutions should have the effect of inducing more people to save, thus increasing the supply of mortgage money.

I am optimistic about 1957, although much, of course, depends on the world situation and governmental action in the credit field. One thing is certain, however, the need for residential, commercial and institutional building is undiminished, and will be met as the money supply permits.

GEORGE A. NEWBURY

President, Manufacturers and Traders Trust Company, Buffalo

Signs and predictions point to a record business year in 1957. Measured in terms of key indicators such as Gross National Product, National Income, Personal and Defense spending, the new year will better the 1956 results. However, it is estimated rising costs will prevent any appreciable gains in corporate profits and dividends. Forecasts from every source—the Government, professional economists and business leaders — are about unanimous in this optimistic outlook. The major problem appears to be not how to sustain these booming times but how to contain the economy within the limits of our productive capacity, and without disastrous inflation.

George A. Newbury

I believe bankers can look forward to a prosperous but difficult year. There is no present indication of an easing of the money situation in the months immediately ahead. Existing money rates will produce very good earnings but as long

Continued on page 50

Continued from page 49

as the supply of loanable funds is not comfortably adequate to meet demands, bankers must continue to give first thought and consideration to the legitimate needs of established customers and the local community to the exclusion, if necessary, of other attractive loan and investment opportunities. It will require careful discrimination and sound judgment.

The business prospects for the Buffalo Area for the first half of 1957 are labeled "exceedingly bright" by the Chamber of Commerce. In its survey covering some 420 companies representing a large cross-section of commerce and industry it finds 57% of those reporting expect business to exceed, and 36% to equal, the record levels of 1956. The survey also discloses the expectations of important growth in industrial expansion. Building projects proposed in 1956 aggregate some $950,000,000 compared to a total of $570,000,000 in 1955. This does not include a $250,000,000 expansion of Bethlehem Steel's Lackawanna plant, the largest indstrial expansion ever considered for this area, which has become involved in the Government's rejection of fast tax write-offs for the steel industry.

By the end of this year the New York State Thruway will be completed from Buffalo to the Pennsylvania State line and in listing the more important highway projects underway or in the immediate offing the Buffalo Evening News states, "by the end of 1957 the improvement in moving traffic through Buffalo and its suburbs should be enormous; by the end of 1958 spectacular."

I have no thought that the growth and expectations for this area are unique but certainly they are well in step with the times and justify confidence and enthusiasm for 1957 and the years to come.

RAYMOND A. NORDEN

President, Seaboard & Western Airlines, Inc.

Transatlantic air freight should experience its greatest growth of the last nine years during 1957. Barring any unforeseen international situation which would mitigate against the expansion of trade between the United States and Western Europe, it can be anticipated that air freight traffic will reach 50 million pounds during the next 12 months. This would represent an increase of approximately 33% over the estimated 37.5 million pounds which was flown across the Atlantic by all carriers during 1956.

Raymond A. Norden

This traffic will provide transatlantic carriers with better freight earnings as well as increased revenues. This has been made possible by recent adjustments in the transatlantic commodity rate structure accomplished by member airlines of the International Air Transport Association.

Nineteen hundred and fifty-seven will see the 10th anniversary of transatlantic all-cargo service. It will also see a new high in promotional activity and advertising aimed at developing the air cargo market, both here and abroad.

Transatlantic shippers during 1957 will be provided with a greatly increased heavy lift capacity, greater speed and greater frequency than was available a year ago. At the start of the new year, there are 22 scheduled all-cargo flights weekly in each direction across the Atlantic. Of these, 40% are with the latest Super Constellation and DC-6A freight aircraft. The fastest freight schedules to London take only 12 hours flight time; to Frankfurt 15 hours. Super Constellations provide a transatlantic lift capacity of 18 tons—double the payload of the DC-4 with which freight service was initiated 10 years ago.

The use of air freight as an economic tool in the production and distribution processes is just beginning to be understood by industrial and trade management here and abroad. The retailing and merchandising fields already have begun to use air freight as a sound economic transportation medium to reduce over-all distribution costs. This increasing trend will see more consumer goods shift from surface ships to the air during 1957. It will also prompt the air movement of merchandising which would not move by surface because of time limitations.

During 1956, livestock accounted for 20% of our traffic. Hard goods, including business and office machinery, electrical equipment, optical goods and photographic equipment, accounted for another 20% while soft goods, including wearing apparel and textiles, represented 15% of the total. We can anticipate increases in all these commodities during 1957, as well as the movement of new commodities made possible by promotional commodity tariffs established by the I.A.T.A. membership.

The vast increase in traffic enjoyed by our own company, which just began scheduled all-cargo operations last April, is indicative of the great potential in air freight which lies ahead. The last quarter, during which we integrated our Super Constellations into freight service, saw a 140% increase over the comparable 1955 quarter.

As all carriers expand their promotional and sales activities to educate international business management to the economic benefits of air freight, we can anticipate a greatly accelerated growth in air trade between the United States and Western Europe.

C. F. NORBERG

President, The Electric Storage Battery Company

From the industry's standpoint, 1957 appears to hold forth the promise of good business for storage battery manufacturers, with sales increases likely to equal or surpass the rate of growth of the Gross National Product. Evidence of that promise is seen in the markets for batteries used in electric materials handling equipment throughout industry, in railway applications, in telephone operations, in utilities and in aviation. Such batteries are sold as both original equipment and replacements.

C. F. Norberg

Industry-wide automotive replacement unit sales have been running about 2% behind 1955. However, it has been predicted that the industry's unit sales of replacement batteries will increase about 7%, with subsequent annual increases averaging about 4%. Realization of these estimates may be affected one way or another by unpredictable factors in the industry and in the general economy. The increasing use of the 12-volt battery should have a favorable effect on both original equipment and replacement sales in 1957 and for some years beyond.

What will happen in the original equipment battery market in the 1957 model year depends upon developments in the manufacture of automobiles, trucks, buses and other vehicles, and farm equipment. However, sales are expected to be in line with recent general forecasts of a 6 to 10% rise over 1956 automobile and truck production.

Speaking for The Electric Storage Battery Company, the results of our 1956 operations continue to show improvement. While they do not come up to our earlier forecasts, they indicate increases over 1955 in both sales and earnings. We expect this trend to continue in 1957 in both our industrial and our automotive business, which should benefit from programs instituted to improve our manufacturing efficiencies and our selling effort.

Our research is progressing toward several well defined objectives and is producing some interesting results which may find applications in new types of batteries, in improvements to existing batteries and in end products that may have no relation to batteries.

We have made significant advances with silver-zinc batteries, an alkaline type we are producing for the Defense Department's expanding guided missile program. We expect further developments in that direction.

We have been pursuing a program designed to further diversify our business, particularly along non-battery lines. Within the last year or so, we have acquired two companies. The first—Jessall Plastics, Inc., Kensington, Conn. — produces high-grade plastic extrusions. The more recent acquisition is Atlas Mineral Products Company, Mertztown, Pa., manufacturer of corrosion-resistant building materials and fabricated plastic products for industry. In both of these companies we see good potential for growth, which can be enhanced by our technical, managerial and financial resources. We expect to continue this program in 1957.

CHARLES L. O'REILLY

Chairman of the Board, ABC Vending Corporation

In-plant industrial feeding and automatic vending have expanded rapidly but irregularly during the past ten years. The obvious need is more coordinated service, which will take advantage of the technological advances in the vending machine and food dispensing industries.

Charles L. O'Reilly

ABC Vending Corporation enjoyed a record year in 1956 with sales and earnings rising to new peaks. Prospects are enhanced by the entry into industrial cafeteria business for the first time. As a national organization with some 30 years of experience in vending foodstuffs, confections and beverages, the management now is prepared to provide one-vendor service for feeding employees through the combined methods of manual cafeteria service, coin-operated machines and radar cooking. The service will be made available to manufacturing and retail organizations on a no-cost basis and with no capital investment required for equipment and supplies.

The same system of automatic snack bars, supplemented with electronic stoves, will be extended to turnpikes, baseball parks, racetracks, sports arenas, and bus, railroad and airline terminals. Shopping centers, supermarkets and variety store chains also are interested in this service which eliminates losses on costly lunch counter departments maintained only for the convenience of customers. The new division, providing meals to workers, will be under the direction of a recently-appointed assistant to the President who will supervise the expansion of cafeteria and mechanized feeding in factories, offices, stores and large buildings.

The management made a number of progress moves during 1956 in the theatre and drive-in movie field. For example, popcorn has become a major item, since a new process was developed to extend the quality-freshness of the product. And it is now estimated that the average youngster will consume three bags of popcorn during a double feature.

The new headquarters building, opened in Long Island City in August, 1956, has greatly improved the service to customers and effected large savings in motorized transportation, thus assuring fresher foodstuffs and confections to both snack bars and vending machines throughout the New York metropolitan area.

CHARLES S. OFFER

President, Budget Finance Plan

The present tight money situation has affected large and small companies alike in the consumer finance industry. The degree of the effect has varied, of course, as to the size of the company, but I am sure it has caused all to move at a slower pace than in the past. However, I look for an easing of the situation in the late Spring, and a return to the progressive pattern of growth that had been prevalent in the industry prior to this tightening up period. We, here at Budget, have slowed our expansion somewhat; and have looked more for quality in accounts rather than quantity. Thus, we have reduced our marginal risks, thereby reducing proportionately our delinquency and loss factors. Even with the present situation, I expect our earnings will continue to increase, because of this strengthening of policy.

Charles S. Offer

Most economists believe that consumer credit continues to increase at a healthy rate. In line with this increase, the demand for our service must grow as well, for the two go hand in hand. We all know that the high level of the nation's economy is based on credit, and that consumer finance companies such as ours play a very vital and necessary part in our overall economy. According to one recent article, general short-termed credit is low in relation to the consumer discretionary spending power. Statistics show that the ratio of consumer credit to consumer discretionary spending power dropped from 31% in 1940 to approximately 22% in early 1956. Just to reach the 1940 ratio would add about $20 billion to our current purchasing power. This would then indicate that installment purchasing and personal loans could grow by as much as 60% without being overextended in relation to discretionary income.

I think that once this tight credit situation eases somewhat, companies that had to take up a notch in their belt, will find compensating factors not only in return to a more liberal policy, but knowledge of many cost reducing economies they might not have been conscious of prior to this situation.

With employment at an all-time high, you can't hold down installment buying over to long a period of time. People will continue to purchase the things they want and need on future discretionary spending power. As long as the average employee sees a secure future in his job and his earning capacity, he is not going to wait for the dollars that he is sure he will earn.

I see 1957 as a year of increased progress for most companies in our industry.

W. A. PARISH

President, Houston Lighting & Power Company

The Texas Gulf Coast continues to be one of the truly bright spots of the nation. Industry, population and business activity of the area are increasing at rates substantially above those of the nation as a whole. While gains are being registered throughout the entire coastal strip from Brownsville to Louisiana, the 5,600 square mile area centering on Houston and served by Houston Lighting and Power Company remains in many ways its growth center.

W. A. Parish

Industrial expansion is the major factor behind the surging growth. Once chiefly agricultural in nature, the area now encompasses a multitude of industries, including chemical plants, refineries, and metal and plastic processing and fabricating firms. The value added to goods in process of manufacturing in Harris County alone totaled $840,000,000 in 1955 — one reason why this region is among the nation's industrial leaders. Presently known plans of large industry to locate additional plants or expand existing ones in Houston Lighting and Power Company's service area will provide employment for over 17,000 additional workers. This backlog of pending industrial growth will be accompanied by comparable increases in operations of those businesses dealing in goods and services.

The nature of our business requires continuous study of present and anticipated future growth trends, as a part of which we periodically interview business and industrial leaders of the area. Recent interviews with these key men in industry, commerce, finance, and construction gives strong indication of continued and even accelerated progress. When asked for their opinion regarding their own operations during the next five years, approximately 80% answered that they anticipated a higher rate of growth than they had experienced during the past five years. The remainder said that they expected about the same rate of increase in their operations.

Known factors affecting area development substantiate these optimistic opinions. The approximately 1,400,000 population of our service area represents an increase of around 32% during the past six years. New residential connections are running well ahead of the same period a year ago—in itself a significant barometer of progress.

In order to meet the contemplated electrical needs of expanded industry and population, our company is investing some $140,000,000 in expansion of the area's electrical facilities in the next two years—an amount equivalent to our total plant account at the end of the year 1950. By 1960 capability will be more than 2,600,000 kilowatts, an increase of some 1,225,000 kilowatts over present capability. This expansion program calls for total expenditures of about one-quarter billion dollars.

ANTENOR PATINO R.

President, Patino Mines & Enterprises Consolidated Incorporated

The two principal uncertainties overhanging the tin market for years have disappeared, as the International Tin Council is now functioning and the uneconomic U. S. Government-owned tin smelter in Texas is being disposed of. Under the International Tin Agreement, which was approved by the requisite number of producers and consumers, an effort will be made to keep refined tin between floor and ceiling prices of £640 and £880 respectively per long ton (corresponding to 80 and 110 U. S. cents per pound). Producing countries have almost completed the delivery of £9,600,000 in cash to the Council, which is obliged to purchase refined tin in the open market at the floor price. If and when the Council possesses tin it will be obliged to sell at £880, and will also be permitted to buy in the price range £640/£720 and sell between £800 and £880. The above-mentioned floor and ceiling prices were fixed three years ago and an effort is now being made by the producing countries to increase them in order to compensate for the subsequent increase in production costs.

The tin concentrates formerly shipped to the U. S. tin smelter are now being diverted to European and Malayan smelters and the resulting refined product will be sold on the world markets instead of being stockpiled. This may have a slight temporary depressing effect on prices but the quantity involved is only about 18,000 tons annually.

Even a small surplus tin production could normally make prices vulnerable, but as commercial and industrial stocks are low, any 1957 surplus (which should not exceed 10,000 tons under present trends) should be easily absorbed. Production from 1953 to 1955 inclusive was extremely stable at 168,000/170,000 long tons annually, but in 1956 it fell to about 163,000 due to lower production by Bolivia and Indonesia. Consumption in 1956 probably equalled or even exceeded that of 1955, which was 150,500 tons; these figures exclude Russia and China. World production in 1957 is likely to fall a little owing to a continuation of the declining trend in Bolivia, the third largest producer (after Malaya and Indonesia). World consumption is likely to increase over the years as more tin containers are used; also there is now little scope left to economize further the use of refined tin by converting existing fabricating plants to the production of tinplate electrolytically.

The price of spot refined tin fluctuated in 1956 between £890 and £723 per long ton, and at present is quoted at about £780 (almost one dollar per pound). Owing to fears of a shortage of spot tin arising from the Suez Canal incidents the price of tin for delivery in 90 days has at times in 1956 been over £50 per ton lower than the spot price, but this backwardation is now quoted at a more normal figure of about £10. Given freedom from war scares, strikes, etc., a more orderly and more stable market for spot and future prices is assured for 1957 owing to the more plentiful supply of tin available arising from the closure of the Texas City smelter and the British Government's decision to sell 2,500 tons from its stockpile after June, 1957. Naturally, in the final analysis everything depends upon the general level of industrial activity in 1957, particularly in the U. S. which is responsible for about 40% of world consumption excluding Russia and China.

GEORGE S. PATTERSON

President, The Buckeye Pipe Line Company

The Buckeye Pipe Line Company in 1957 will continue to expand its crude oil and products pipe line facilities so as to better serve its customers. Foremost on the 1957 list for capital expenditures will be a new products pipe line extending 125 miles from Huntington, Indiana, to the East Chicago area. This latest extension to the Company's Midwest Products system will enable Ohio refiners to to serve the Chicago market with direct pipe line connection. The Company's Midwest Products system will then service the major cities of Chicago, Indianapolis, Toledo, Cleveland and Columbus. Installation of additional pipe and pumping units will be made in 1957 on the Company's main crude trunk line which services Toledo, Detroit, Cleveland and Buffalo so as to adequately supply increased refining requirements.

George S. Patterson

Also, continuation of an extensive automation program, especially as regards crude and gathering line operations, will involve a considerable outlay. Altogether, a capital budget of $4,000,000 has been projected for 1957 or approximately double the amount spent in 1956.

In 1956 the largest single capital expenditure was for the construction of additional tankage and a new pumping station at Auburn, New York, on the Company's Eastern Products Division. This system provides transportation for the New York and Philadelphia area refiners to terminals at Allentown, Scranton, Binghamton, Syracuse, Rochester and Buffalo.

It is anticipated that 1957 will be another good year for the domestic petroleum industry with anticipated U. S. demand up about 4%. This increase should be reflected in pipe line deliveries.

WILLIAM B. PETERS

Treasurer and Comptroller, J. I. Case Company

The farm machinery industry is a sound business. However, in the past several years the sale of farm equipment has been below normal, due to several factors:

(1) Lower farm income;

W. B. Peters

(2) The prolonged drought in certain important market areas.

The farm machinery business is also subject to a number of hazards which make it very difficult to predict the results for any one year. Farm surpluses are still with us, which have an effect on farm prices and farm income.

Indications, however, are that farm income will show an improvement in 1957. A number of favorable factors are:

(1) The deferred demand for farm machinery is starting to show signs of improvement;

(2) The population of the world is rising. The present trend in the size of families indicates a 15% increase in the population in the United States every 10 years;

(3) With the increase in population, it is natural that food consumption will rise;

(4) Farm labor costs have been increasing, which makes it necessary for the farmer to purchase modern labor saving farm machinery in order to reduce his costs of operations.

Inventory of farm machinery in the hands of the retailers and manufacturers is lower than it was a year ago, and this should have a very favorable effect on manufacturing operations in 1957.

Taking everything into consideration, the outlook for 1957 and the long range outlook is favorable.

JOSEPH N. PEW, JR.

Chairman of the Board, Sun Oil Company

Events in the oil industry have been occurring very rapidly as the affairs in the Middle East fluctuate. All in all this year should be somewhat better for the domestic companies, with more emphasis on producing and transportation profits and with manufacturing and marketing having difficulties absorbing the increases in costs. With the country remaining prosperous, I think the benefits should slightly outweigh the handicaps.

Joseph N. Pew, Jr.

ALLEN PEYSER

Member, Executive Committee, Washington Natural Gas Company

Chairman of Board, Triplex Corporation of America

In the Pacific Northwest, the outlook for business in 1957 is excellent, for industry generally and the gas utility industry in particular.

Various businesses in which I am associated—natural gas, salmon packing, steel fabricating, and manufacturing—all are assured of improvement in the first half of 1957 and all promise considerable expansion throughout the entire year.

Allen Peyser

Spendable income per family is higher in this area than the national average and population growth continues to enlarge markets and expand the industrial complex to serve them.

Boeing Airplane Company, the region's largest single industry, offers an example of expansion which affects the entire economy. Boeing, with 50,000 employees, now, probably will employ 60,000 by 1959, with a substantial portion of this increase scheduled for 1957.

Considerable expansion is contemplated in the aluminum, chemical steel and other industries.

The gas utility business, of which Washington Natural Gas Company is a major factor, has within the past few weeks completed its transition from manufactured gas to natural gas. During the past year, natural gas was brought into the area by pipeline from New Mexico, and next year an additional supply of natural gas will be brought from the Peace River area of British Columbia and Alberta. Natural gas from both sources will supply thermal energy equal to twice the energy produced by Grand Coulee and Bonneville dams combined.

When Canadian natural gas becomes available in late 1957, the total supply for this area will approximate 500,000,000 cubic feet per day. These figures are more eloquent than words and show why we in the utility business look with confidence to 1957.

Beneficial effects of natural gas upon the economy of the Pacific Northwest have already commenced and its effect will pyramid rapidly in 1957 and in the years to follow. To illustrate the extent of increase in the use of gas: Washington Natural Gas Company, which served about 47,000 customers at the end of 1955, expects to serve 90,000 customers by 1961.

Sales of the company in 1956 amounted to $6,700,000. In 1961 they should amount to $19,200,000. Net income for 1956 will be about $300,000, but we expect it to be at least $1,600,000 in 1961. The present plant is worth $24,000,000, and we plan to invest $20,000,000 for plant facilities in the next five years. A generous portion of this expansion will be done in 1957.

Charles M. Sturkey, President, says the company will sell more therms of natural gas in the next five years than was sold by the company and its predecessors in 83 years of operation with manufactured gas.

In manufacturing we expect 1957 to be a good year although the figures are not as sensational as in the gas utility business. In the field of automotive pistons, diesel pistons and similar products, we have had a good year in 1956. Triplex Corporation of America, one of the large independent suppliers of pistons, had its best year in 1956. We expect an improvement of 30% or better in 1957.

A very unfavorable factor, of course, is the high cost of money and it is hoped that something will be done to alleviate that problem for business generally and particularly for small business.

High cost of money has made home mortgages more difficult to obtain. This affects the home building industry and, in turn, one of the Pacific Northwest's basic industries, wood products.

It seems, however, that most businesses are taking the higher cost of money in stride and are continuing with their expansion programs.

Measured by gross sales, we expect business to be good. Defense spending by the government will increase due to the uncertainty in the international picture. The upward spiral of costs, including the cost of material and labor, will continue and we do not expect profits to have the same upswing as we expect gross sales to have.

Every indication points towards the continued growth of the Pacific Northwest area in 1957.

W. T. PIPER

President, Piper Aircraft Corporation

Aviation is so young that everything about it can change very rapidly. Ten years ago most of the light planes made had two seats and were used largely for sport and instruction. We had flooded the market with these planes and sales practically stopped. Today, due largely to the following developments, the outlook is much brighter.

W. T. Piper

Most of the planes being built today have a nose wheel instead of the outmoded tail wheel. This tricycle landing gear simplified taxiing, take-offs and landing, and so reduces the job of learning to fly. The planes have an inherent tendency to go straight ahead when landing and, therefore, airports with several runways, which are very expensive, are not needed. A single runway will suffice for many small cities, so a rapid increase in the number of landing fields is impossible.

The navigational facilities have improved greatly in the past few years. The radios, also, are much better. The ADF Automatic Direction Finder can be tuned in to a distant radio station and tells one when the plane is headed toward that station. The CAA has spotted Omni Ranges all around the country. They send out beams in all directions and the pilot can follow the beam right to the station. Both of these radio aids have made navigation much easier.

The engines available for these planes have increased power and reliability. No longer are the small planes considered useful only for sport, but they have been made with greater utility, having more roomy cockpits and longer cruising range. Executives find them most useful for traveling from plant to plant and the dispersion of plants increases the amount of travel. In addition, the high salaries paid today make it economical for well paid employees to fly.

There are now four small easy to fly twin engine airplanes being manufactured. They seat four to seven people, range from $35,000 to $100,000 in price, and cruise at 165 or more miles per hour. The corporations are finding out how useful these planes are and are buying them in increasing numbers.

Small companies buy the single engine four place planes, and due to the price being much lower than the price of a twin, they are selling in large numbers. The use of planes for spraying and dusting is also growing rapidly. 1956 was a good year for the small plane makers. All of them feel that we are now on the right track and expect sales in 1957 to be still larger.

Continued on page 52

Continued from page 51

B. F. PITMAN, JR.

President, Pitman & Company

Like the Star Spangled Banner at a football game, the season for forecasting 1957 business conditions, and as a corollary the securities market, is again with us. Pronouncements by most of the business leaders, notably the automobile tycoons, are in general unreservedly optimistic. For ordinary mortals, not endowed with prescient powers, looking ahead 12 months is at best a difficult undertaking. The economic, social, and political factors which will affect the trend of business in 1957 appear to me to be more confusing than at any time within my memory. Hence, the pastime of prognostication is beset with more than the usual complexities.

Benj. F. Pitman, Jr.

A dozen pages could be written on such important elements in our economy as interest rates, the soil bank, the Suez Canal, pension funds, bank loans, the credit structure, and dozens of others. Paradoxically, a shortage of such important metals as nickel appears to be with us for years to come, while at the same time there are significant indications that copper, for example, may shortly be in oversupply. How seriously will our own economy be affected by the slowdown in the resurgent European economies, brought about by the closing of the Suez Canal? This calamity, attributable in my judgment to the inexcusable failure of the United States to support the British and French in their attempt to make a lawbreaking little dictator accept the international guarantee of the canal's freedom, perhaps transcends in importance any other single aspect of the 1957 outlook. The implications are manifold, and include the possibility, perhaps even probability, that the United States will be obliged to police the entire Middle East, now that we have supported the Arabs in their successful attempt to drive out our traditional friends from this critical area.

How will the securities market react to the bewildering world situation? Further monetary inflation, which could become explosive, seems inevitable. Yet equities are hardly likely to afford the same degree of protection to the purchasing power of money in the future that they have in the past. Fixed income securities are becoming steadily more competitive for investors' funds. Higher interest rates have renewed the long dormant urge to save, which may slow down the seemingly insatiable desire to buy and pay later.

As the wildest kind of a guess, I think that the averages, which, parenthetically, are highly misleading, are not likely to exceed to any appreciable extent the highs of 1956. There will probably be many stocks that go contrary to the trend, and over the long pull well selected equities are perhaps the "least worst" investment media, unless the United States dollar is again made convertible into gold.

Regardless of interest rates, savers are not likely to become enthusiastic about long term debt securities when they (rightly) distrust the future of the money lent.

H. LADD PLUMLEY

President, State Mutual Life Assurance Company

January is the traditional time of the year for reviewing the past and scanning the future, and this year provides interesting material for either the historian or the would-be prophet. Insofar as 1956 is concerned one cannot help being impressed by the strength of our economy. We suffered a decline in new housing starts of about 17% and in total automotive assemblies of about 25%. One does not have to be too ancient to recall when either one of these drastic declines would have touched off a series of subsequent retrenchments with far reaching results. This type of rolling readjustment has characterized the post World War II economy. One after another of our major industries has retrenched and consolidated its position while others have moved forward into new higher ground. Certainly everyone is wary of any feeling that this means we have a depression proof economy but that the present economic fabric of the country is made of much tougher stuff than 30 years ago is a matter of record rather than of opinion.

H. Ladd Plumley

The events of 1957 will be determined in some substantial measure by the reservoir of savings available for investment in long-term capital funds. The far-flung acceptance of research activities as a basic part of any progressive concern inevitably means spending money for new products and the machines which create them. Tight money is a symbol of the relationship between demand and supply. It is to be hoped that state, Federal and local governments will review the taxes laid upon savings funds of any kind, for it is from these monies that the pace of an increasingly better standard of living in this country will be in some measure determined.

Probably in 1957 there will be new evidence as to whether the productivity of the country is keeping pace with the wage spiral. The curbing of inflation is of prime concern to every American and the courageous steps of the Federal Reserve Board merit the support of us all.

The personal insurance business looks forward to a year of expanding activity and expanding volume, not only because of the increase in our population but through the increase in the areas in which we will serve. Developments in the Sickness and Accident field will provide increasing evidence of the ability of private insurance interests to care for the needs of the American public. The sale of business life insurance of all types will in our opinion expand at a rapidly increasing pace over the next few years as more and more partnerships and individual proprietors realize the essentiality of adequate life insurance to solve the problems that inevitably arise following an owner's death. As these increased sales are made there will be more money available from the reserves set up for these policies for the life insurance companies to finance home mortgages and business enterprises.

C. W. PLANJE

President, Gladding, McBean & Co.

Rrepresenting a rather broad segment of the ceramic industry it will be necessary to treat these divisions separately. In ceramic products designed for the construction market, it appears that the volume for housing consumption will be approximately equal or somewhat less than the volume achieved in 1956. In the non-residential field and particularly commercial, it is our opinion that the volume utilized for this purpose will be somewhat greater than it was in 1956.

C. W. Planje

Refractories for the ferrous and non-ferrous industries should be in considerable demand during the year when steel will be operating at maximum capacity. The refractories outlook is, therefore, somewhat more optimistic than it was in 1956 and present productive capacity should be able to take care of all requirements.

In the consumer market the purchasing power of the American public should expand but this will not be reflected in the purchase of domestic dinnerware. Unless some fair means is provided to limit imports in china and earthenware, the domestic manufacturers will face an even more disastrous year than they encountered in 1956. It is regrettable that an industry as old as the dinnerware industry should be faced with virtual extinction due to unlimited imports into a receptive market.

JEROME A. RATERMAN

President, Monarch Machine Tool Company
President, National Machine Tool Builders' Association

Shipments of metal-cutting machine tools for 1957 are confidently expected to equal, if not exceed, the $885 million which it is now estimated the industry will have for 1956. Current performance represents a more than 30% increase over the $670 million in machine tool shipments reached in 1955 and is almost up to the 1954 total of $891 million when the Korean defense program was still an important factor.

J. A. Raterman

As further confirmation of a busy year ahead, the machine tool industry will enter 1957 with roughly a seven months' backlog of metal cutting machines on its books. While this is about the same as last year's backlog, deliveries are expected to show substantial improvement as the greatly increased rate of production of machines in recent months is maintained or further accelerated. The Machine Tool Show of 1955 set new standards as to what constitutes a production machine. Conservatively it rendered obsolete overnight a million machine tools in use in American industry. As a result, machine tool builders have been unusually busy ever since and will continue so indefinitely.

Actually so sweeping were the design changes represented by some of the new machines exhibited at the Show that only recently has the building of many of them begun. The interval since the Show has been occupied with the construction of the thousands of new jigs, fixtures and tools required before production of the machines themselves could be commenced.

Meanwhile, the trend continues toward more automatic operation of machine tools. In fact, developments of this nature have been so startling that they have more or less overshadowed many significant improvements in performance that have been made in standard general-purpose machines which carry the burden of machining operations in all but the very largest plants in most industries.

Added stabilization for the machine tool industry is in prospect as the result of a new government policy directed toward a systematic program of modernization of machine tools operated by the Army, Navy, and Air Force. Each of the three military services will henceforth replace on a yearly basis a definite percentage of their present machines with new equipment.

Not a little of the machine tool industry's satisfaction with the showing of the past 12 months stems from the fact that 85% of the 1956 total shipments represent domestic peacetime business. Rated defense orders amounted to only 7% while foreign shipments accounted for the remaining 8%.

Altogether the outlook for uninterrupted good business for some time to come was never better for U. S. machine tool builders than right now. Interest by small as well as large industrial concerns in programs of plant expansion as well as equipment modernization continues unabated.

So great, in fact, is the pressure for speedier deliveries of many types of machine tools that expansion of production facilities by some machine tool builders themselves is already underway or contemplated for early in the new year.

HOBART C. RAMSEY

Chairman and Chief Executive Officer,
Worthington Corporation

We look for generally favorable business conditions in 1957 and we are expecting a 15 to 20% increase in our production and sales.

The demand for machinery and equipment of the kinds Worthington makes is constantly growing. The market for air conditioning and heating equipment has hardly begun to approach its full potential. The increasing demand for steam, diesel and electric power equipment is one of the outstanding characteristics of today's economy. The market for construction equipment is growing with the increase in industrial and commercial building, with the highway program as a further stimulus when it gets underway. The demand for pumps and compressors of all kinds is supported by the growth of such industries as petroleum, chemical and natural gas.

Hobart C. Ramsey

While there are some signs that general business activity is leveling off, forecasters agree that capital expenditures by industry in 1957 will be at the rate of approximately $38 billion, or 10% ahead of last year. As far as Worthington is concerned, our substantial backlog of orders, totaling nearly $100 million, is more than sufficient to carry us over any foreseeable slackening of new orders during 1957.

The ability of American industry to ride over increased money rates is encouraging evidence of the basic health and vigor of the economy. We expect tight money policies to prevail throughout 1957. There will, at the same time, be continuing inflationary pressure from the wage-cost-price spiral.

Assuming continued peace throughout the world, we look forward to continued prosperity and growth both for our company and for business generally.

MARTIN M. REED

President, Mergenthaler Linotype Company

This company is a prime producer of typesetting machines and related equipment for the printing and publishing industry. Our subsidiary, Davidson Corporation, produces offset presses, duplicators and related euipment for this industry in addition to supplying a broad segment of financial, government, trade and manufacturing organizations with its products as office equipment.

Martin M. Reed

My statement of views, therefore, refers to the outlook for the printing and publishing industry and the office equipment field in relation to anticipated general economic developments.

During 1956, Gross National Product has increased by more than $20 billion to a record high of $414 billion (annual rate) in the third quarter. The Federal Reserve Board's index of industrial production has risen to 147 in November, more than 5% above the 1955 average of 139. This favorable general economic picture has been reflected in the level of activity within the printing and publishing industry, the office equipment field as well as this company's sales.

During 1957, Gross National Product will probably reach a new record high with the FRB index of industrial production also expected to increase. The rate of increase may be more moderate than those experienced during recent years, and the rise is likely to be greater in dollar than in real terms. This is indicative of the belief that current inflationary pressures will continue through the coming year. "Tight money" will probably continue, and perhaps get "tighter" during the early months of 1957, but will not deter continued growth. Current momentum will carry capital spending well into the new year with some levelling off probable in the latter months. Consumer spending will continue to expand and provide the basic impetus for the further improvement in the American economic scene. Government spending during 1957 is almost certain to be greater than during 1956.

The foregoing general economic conditions will provide the setting for further expansion of the printing and publishing industry. The FRB printing and publishing index, up about 4% in 1956 over 1955, to an indicated 133, will probably reach an even higher level in 1957, possibly matching the improvement realized in the year now ending. The industry will continue to benefit from high advertising and promotional expenditures. For newspaper publishers, this growth may be dampened by the continuing shortage of newsprint.

The office equipment field also should find 1957 the "best business year yet." Spurred by the improvement in general economic conditions, the apparent long-term trend toward office automation and work flow simplification should continue. The McGraw-Hill index of new orders for office equipment, up about 16% in 1956 over 1955 to an indicated level of 141, will probably record similar gains in 1957.

This company expects that its own sales volume will benefit from increases in business activity during 1957, as it has in the past.

EVERETT D. REESE

Chairman of the Board, The Park National Bank of Newark, Ohio

We have been going along at a very high level for sometime. The most significant aspect of our economy has been the increasingly large capital expenditures. We have been adding tremendously to our productive capacity and the pace continues at a very high level. There seems to be a race to have the most efficient and effective buildings and machinery.

Everett D. Reese

There is no doubt that there are problems involved in this because along with the increased investment in business has come increased wages. It adds to the cost of business to carry the larger investments in fixed assets and each business will be faced with the determination as to whether the productivity has been increased sufficiently to carry the higher wage costs and the increased investment in fixed assets, but at the same time end up with at least the same or a better return on the equity investment.

A great part of the increased expansion has been paid for with borrowed money and the interest charges become additional cost of doing business. This must be absorbed. There has also been an additional risk assumed which should mean a larger return on the capital invested. If the capital investments prove to add to the productivity sufficiently, we should continue to have a higher standard of living and a better return for stockholders. If on the other hand, this does not prove to be the case, it could discourage further investment which could mean a downturn in this phase of our economy.

While this has been going on people have been contracting debts for housing and consumers goods at a very high rate. The increase in net indebtedness against income cannot continue indefinitely. It is to be hoped there will be a leveling off, not a real sharp drop.

Evidence is also accumulating that inventories have increased. This has added to business volumes. It is quite likely that some reduction in inventories will take place.

Savings on the part of people have not kept pace with the demands for credit, for capital, and consumers' purposes. Tighter money and higher interest rates have not discouraged borrowing to any extent, excepting in the housing field. This is another indication that other causes can sometimes be effective rather than the use of money as a means of regulating the economy.

In my opinion these add up in such a way that we could be facing some adjustments within a reasonable period of time.

ARTHUR REIS, JR.

President, Robert Reis & Co.

The year 1957 should show an improvement in volume for the men's furnishings industry. High personal income, a growing population and increased style-consciousness should all contribute to an over-all sales increase. With regard to this latter point, every segment of the men's wear industry is endeavoring to create the same type of style-obsolescence that characterizes so many other consumer goods industries. Style in color, fabric and construction all vary now from year to year. For example, sportshirts this Spring have a shorter point collar than in previous seasons. They also have collars with permanently sewn-in stays. The industry has also combined to establish the American Institute of Men's and Boys' Wear, which is dedicated to promoting the principle of a well-dressed man. National advertising and publicity will stress this subject. The problem of tight profit margins will, however, continue to face the industry. Many costs have gone up. This includes labor, freight, the cost of money, advertising rate, certain travel expenses, etc. At this time, basic raw materials have not risen appreciably beyond levels of a year ago. Competition and absence of a sustained strong demand have prevented price rises here. All in all, however, costs are up.

Arthur Reis, Jr.

Selling prices in the men's furnishings field are but fractionally higher than a year ago. Similar to the raw materials field, competition and the lack of real buying boom have kept prices almost stationary. Contributing here was the abnormally cool Spring and Summer, along with a warmer than average December in the year just ended.

Thus, it remains to be seen whether the combination of increased sales and but a slight increase in prices in 1957 will yield improved profits in the face of increased costs. Most opinions incline toward expecting some profit increases.

At this time values for the consumer in men's wear are quite outstanding. Prices are but very slightly over levels of a decade ago. Meanwhile, quality has improved immeasurably, and the element of style has lent a real appeal.

W. S. RICHARDSON

President

and

JOHN L. COLLYER

Chairman of the Board
The B. F. Goodrich Company

Consumption of new rubber continues to be the best measure of over-all progress in the rubber industry and usage of those materials in the United States in 1956

W. S. Richardson

John L. Collyer

will be the second highest on record—approximately 1,440,000 long tons, or about 90,000 tons less than the all-time peak reached in 1955.

The decline in new rubber consumption during 1956 was almost entirely due to lowered requirements by the automotive industry for tires and other rubber products for use on new vehicles. However replacement sales of almost all types of products manufactured by the rubber industry were higher in 1956 than in the previous year.

The outlook for 1957, based on what are believed to be attainable estimates of American motor vehicle production, indicates that the rubber industry in the United States will consume about 1,500,000 tons of new rubber in 1957 and could establish a new consumption record.

At least 61% of the total new rubber consumed in this country last year was domestically-produced man-made rubbers, compared with 58.5% in 1955. Usage of domestic rubber will undoubtedly show further gains in 1957.

World consumption of rubbers last year set a new record of nearly 3,000,000 tons, excluding consumption of man-made rubber in the Soviet bloc, about which little is known. World usage was more than double the consumption in 1946, ten years ago.

Production of tree rubber is not expected to exceed 1,900,000 tons this year, or in 1957, and there is little possibility of an increase before 1960, if then.

The remainder of the world demand must be supplied by man-made rubbers. Constructive action by private industry, following the purchase of man-made rubber facilities from the United States Government in 1955, and early in 1956, has made possible ample production capacities in this country.

Our domestic capacities for producing man-made rubbers now total 1,355,000 tons while the rest of the free world can produce an additional 130,000 tons.

Further expansions now under way should increase this nation's capacity for production of man-made rubbers to 1,645,000 tons by the end of 1957, while the rest of the free world should step up to 160,000 tons. By the end of 1958, free world capacities will approximate 1,990,000 tons. The existing and planned capacities are ample to meet the probable demand through 1958 and perhaps through 1960.

We now know for the first time how to synthesize the natural rubber molecule from materials available in the United States and Goodrich-Gulf Chemicals, Inc., owned by The B. F. Goodrich Company and Gulf Oil Corporation, is now making this type of rubber — called "Ameripol SN"—in a new pilot plant. Large scale production facilities could be constructed in 18 months, if required.

Barring a major emergency, 1957 is expected to be another year of business expansion. Automobile manufacturers expect domestic new car sales in 1957 to be from 500,000 to 700,000 units above the 1956 total. This together with the steady growth in replacement tire demand indicates a healthy increase in sales of rubber products during 1957.

In anticipation of this demand, a $6 million expansion at the company's Los Angeles tire manufacturing plant that will increase tire output there by 50% neared completion in 1956. In addition, an ultra-modern $4 million unit for the production of giant off-the-road tires for construction industry uses will be completed and in production at the Miami, Okla., tire plant in the first quarter of 1957.

A new distribution center, one of the largest of the kind operated by B. F. Goodrich, was completed in Kansas City, Kansas, and construction was begun on another in Charlotte, S. C. They give B. F. Goodrich major distribution facilities in 13 principal markets.

The B. F. Goodrich Chemical Company, a division, started construction in 1956 on a new $2,500,000 plant to manufacture specialty acrylic polymers at Calvert City, Ky. Expected to be completed in 1957, the new plant will bring the Chemical Company's investment in plants and equipment at Calvert City to more than $17 million.

Another Chemical Company expansion—an $8 million addition at the Avon Lake, Ohio, plant—was begun in 1956 and is scheduled for completion during the first half of 1957. A major portion of the expansion will be devoted to facilities for manufacturing various types of Geon polyvinyl resins and plastic compounds. During the year B. F. Goodrich Chemical Company moved into a new, three-story headquarters office building in Cleveland, Ohio.

Overseas, Japanese Geon Co., Ltd., of Tokyo, an associate company of B. F. Goodrich Chemical, began production of polyvinyl chloride at a new plant at Takaoka.

Goodrich-Gulf Chemicals, Inc., in addition to starting production of Ameripol SN at its Avon Lake pilot plant, bought from the Government the man-made rubber facilities at Institute, W. Va., for $11 million in February and started production two months later. A new power plant is being constructed at a cost of $1,500,000.

Goodrich-Gulf Chemicals in 1956 also started a multi-million dollar expansion program at its Port Neches, Texas, facilities, which will increase its annual production of butadiene by 50%.

Referring to operations of International B. F. Goodrich Company, the opening of a new tire plant by Goodrich International Rubber Company of Manila in The Philippines and construction of another—expected to be completed early in 1957—by Lima Rubber Company in Peru brings the total of B. F. Goodrich rubber manufacturing associate companies overseas to 12.

In Canada, B. F. Goodrich Canada, Ltd., is constructing a $3,500,000 polyvinyl chloride plant near Niagara Falls, Ontario, to serve the growing Canadian market for this product. The plant is to be completed early in 1957.

The Canadian Company is also building at Kitchener, Ontario, an addition for the manufacture of roll coverings and tank linings and will begin production of hose for the first time early in 1957.

Among the more significant new and improved products introduced by B. F. Goodrich in 1956 were:

A new process to make man-made rubber latex more efficiently for foam rubber manufacturers developed by B. F. Goodrich Sponge Products Division.

A structural bonding adhesive with such strength that it has replaced rivets in the fuselage, wings and tail assembly of the supersonic B-58, newest Air Force super-bomber, developed by B. F. Goodrich Industrial Products Company and the Ft. Worth Convair Division of General Dynamics Corporation.

A new type aviation disc brake, incorporating sintered metal linings and newly-perfected automatic adjustment, developed by B. F. Goodrich Aviation Products for the Lockheed Electra, first commercial airliner in the United States designed for turbo-propeller power. The new brake sets new standards of smoothness without chatter when activated.

FRED L. RIGGIN, SR.

President, Mueller Brass Co.

The year 1956 was one in which the copper and brass fabricating industry passed from a period of many months of shortages and rising prices to one of abundance and falling prices. 1957 should be a good year for the industry.

Fred L. Riggin, Sr.

During the first quarter and into the second quarter of 1956, Mueller Brass has a large volume of orders and comparably large production. To obtain metal necessary for this level of operation, it was necessary to purchase copper wherever it could be obtained and at whatever price was demanded. This period saw the record price for copper in modern times.

During the second quarter new orders started a downward trend, although the backlog permitted continued large production. The demand for copper also was reduced with a resultant elimination of premiums for the metal.

In the third quarter new business and production dropped considerably, while customers reduced inventories in anticipation of a price decrease. This became effective on July 10, dropping the prime producers' price for the metal from 46 cents to 40 cents.

New business improved slightly in the fourth quarter as customers' inventories were adjusted, although the demand for copper continued on a much lower level than earlier in the year. The prime producers' price again was reduced to 36 cents per pound.

Throughout the entire year competition for new business was very keen and Mueller Brass devoted much time and talent to increasing operating efficiency. While the results of 1956 operations will not be available until February, it is estimated that both sales and profits are somewhat above 1955 results.

During the past year, Vampaco Aluminum Products, Ltd., of Strathroy, Ontario, a newly established subsidiary for production of aluminum windows for the Canadian market, began operations which are proceeding satisfactorily. Volume, however, is not yet at a point where profitable operations result. It is hoped and expected that the new subsidiary will show a profit before the end of 1957.

The new rolling mill installation at the Sheet Aluminum Corporation in Jackson, Michigan, has been completed. It is expected that this modern equipment will increase sales and profits from that subsidiary in 1957.

Continued on page 54

Continued from page 53

A sizable new building was added to the production facilities for the Valley Metal Products Co. at Plainwell, Mich., and a new office building was completed. Both of these facilities should add to the volume and efficiency of that operation in the coming year. The company purchased the assets of the Tru-Seal Window Division of Industrial Machine Tool Co. of Fenton, Mich. during 1956 and these facilities were moved to Plainwell. Production has been constantly increasing in this new product for the Plainwell subsidiary.

The company's directors have approved a $200,000 investment for an extension of the tube mill at Fort Huron. It will house additional production facilities for tube fabricating and shipping, and is expected to add to shipments in the coming year.

As to the year ahead, we expect a continuation of very competitive market conditions. It will be essential to concentrate on improved methods, organization and equipment. Physical volume may be somewhat increased as a result of additional aluminum facilities installed by Mueller last year. It is anticipated that brass and copper volume will be approximately the same as in 1956.

In short, 1957 should be another good year for both the Mueller Brass Co. and the copper and brass fabricating industry.

R. G. RINCLIFFE

President, Philadelphia Electric Company

America's investor-owned, business-managed utility companies met all demands as the enormous growth in the use of electric power in homes, business, and industry continued in 1956, and are planning to meet all foreseeable future demands.

R. G. Rincliffe

The generating capacity of the electric industry has more than doubled in the past ten years. This pace is indicative of how it is keeping ahead of the nation's expanding economy, growing industry potential, and increasing population. It is estimated that further construction in the next decade will involve a budget which will average $4 billion a year for the next five years, and $5 billion a year by the end of 1966.

The Delaware Valley, served by Philadelphia Electric Company, is in the midst of a great era of industrial development. P. E. has geared its expansion program to the vast industrial, commercial, and residential growth now being experienced, so as to assure adequate electric power wherever and whenever needed. Since World War II, the Company has spent $580 million for new construction more than doubling its investment in production and distribution equipment. Our forecasts of future area development show an increasing upward trend of demands by homes and industry here which will require further expansion and improvement of Company facilities at an accelerated rate. During the next five years, it is expected the Company's expansion program will cost $460 million, or $1¾ million a week, which is greater than ever before.

A major project in this program is the construction of the new Eddystone station on the Delaware river, near Chester, now under way. Its first 325,000-kilowatt turbine-generator is planned for operation in 1959. A second unit of similar size has been ordered and is scheduled for service early in 1960. This station, the last word in efficiency, represents a significant forward step in power production, utilizing super-critical temperatures and pressures to achieve economies in operation not heretofore possible. The resources of manufacturers supplying equipment for this new station have been combined with those of the Company to develop extremely advanced equipment designs, some of which will have unique features. Extensive additions to the Company's electric transmission facilities are under way in order to integrate the new Eddystone station with the present system.

In addition, installation of a new turbine-generator at Schuykill station in Philadelphia is progressing. This new unit will have a capacity of 175,000 kilowatts, and is scheduled for operation in 1958.

Expansion of the Company's gas facilities is also an important part of the Company's construction program. Demands for gas in industry, and particularly for heating homes, continue to increase. A measure of the wide acceptance of this fuel is found in the fact that 43% of the homes having the Company's gas service use gas for heating. To meet these demands, extensive additions to distribution mains are being made and construction is in progress of a new gas production plant at West Conshohocken, scheduled for completion next September.

A new steam heating plant in central Philadelphia is being built and mains are being extended to supply new industrial customers, as this Company service continues to grow in importance.

Last November, a new Pennsylvania-New Jersey-Maryland electric power interconnection went into operation—one of the largest power pools in the U. S. This interconnection, of which Philadelphia Electric is a member, represents a forward step to assure even greater reliability and dependability of electric service here.

P. E. continues its active interest in research and development projects aimed at greater efficiency in the production and distribution of power. For several years the Company, in association with others, has engaged in a program aimed at determining the best method of utilizing nuclear fission in electric power generation. These studies have developed into construction of the Enrico Fermi atomic power plant at Lagoona Beach, Monroe, Michigan. By participating in the development, construction, and operation of this plant, the Company is gaining knowledge and experience for the time when a practical, commercial atomic-powered generating unit can be built in the Greater Philadelphia area.

The progress of Philadelphia Electric is inseparably linked with the growth and prosperity of the area it serves. The Company's billion-dollar outlay to expand and reinforce electric, gas, and steam facilities here is concrete evidence of P. E.'s faith in the future of Delaware Valley.

CLINTON F. ROBINSON

President, The Carborundum Company

Carborundum Company sales of abrasives and allied products during 1957 will very likely reach an all time high. The demand for our products originates predominantly in the durable goods industries and is correlated to the fluctuations in filling final consumption requirements. In forecasting our 1957 sales program we gauged the level of durable goods production and its components and also a measure of how well the total economy will do in terms of Gross National Product. Indications are that the favorable level of business activity which dominated most of 1956 will again be present in 1957.

Gen. C. F. Robinson

We see gains in over-all industrial activity for this year in about the same magnitude which we foretold correctly in 1956 a year ago. Our sales performance for last year will better that of 1955 by more than $10 million reflecting the physical volume increase in industrial production, sales of newly developed products, and a higher price level which was general throughout the economy. Similar movements are in store for this year for both physical volume and price. An increase of three to four points in industrial production and the continuation of price pressures for most industrial products are expected this year.

The forces which will be present in 1957 to hold and improve the level of production will be different from those in 1956, and consequently the pattern of production will differ. Capital investment, for example, which was a major sustaining force in 1956 will still be relatively strong but will not add as much impetus to the economy as in the past. However, greater activity in the transportation sector of production notably automotive, railroad equipment, shipbuilding, and aviation equipment, will add the necessary impetus.

Historically our business has had some lead on durable goods production, but this lead factor has been affected by price revisions at year-end in each of the past two years. However, by adjusting our sales for the effects of price changes, the present demand for Carborundum Company products indicates a new high in durable goods production over the first half of 1957.

General business activity in terms of the Gross National Product will also reach a new high during this year. A better than $410 billion Gross National Product was realized in 1956, up 5% from a year earlier. This reflected to a great degree a general price inflation throughout the whole economy during 1956. In our 1957 planning a similar average movement of about 4% is expected in Gross National Product, with perhaps a little more emphasis on the price influence in the total gain. The resultant effect on spendable income will cause only a slight increase in the physical amount of goods and services consumed during the whole of the year.

Other factors which influence the demand for our products are indigenous to the company. The combination of some known improvements in distribution and services, further industry penetration, continued growth of new and higher quality products, and a carefully planned program of research and development will reinforce the growth in sales of Carborundum Company products.

W. A. ROMAIN

President, Sherman Products, Inc.

The 1957 retail sales market for tractor-powered earth moving machinery should mount to nearly $60,000,000. Earth moving machinery—backhoes, front-end loaders, trenchers—should step up by nearly one-third of the 1956 volume. I base this estimate on the increased amount of population re-settlement—from city to suburban new home developments and factory sites—which means plenty of work for power diggers and other small equipment attached to tractors.

William A. Romain

More and more back-breaking jobs such as digging trenches for water, gas and sewer lines and excavating holes for fire hydrants and footings are accomplished by hydraulic attachments. The building industry — both for residential and commercial construction—has turned to power-operated equipment to speed up production, ease worker drudgery and reduce soaring labor costs.

A further reason for the market uptrend is the huge roadbuilding program underway in the nation. A strong replacement market for tractor equipment also is expected to continue.

J. H. SCHWARTEN

Vice-President and Treasurer, Canal-Randolph Corporation

Canal-Randolph Corporation owns and operates real estate. Our present properties are located in Chicago and Dallas. Our principal property is a 1,000,000 square foot office building in Chicago's Loop area.

We believe that the demand for tenantable space of the type we offer and in the communities we serve will continue high throughout 1957. With minor exception, our own properties are fully leased for the year. We expect to increase our investment in well-chosen properties of this type during the year, and we regard the prospect of success in 1957 for such selective investment as bright.

We feel that the current tight money conditions may have a dampening effect on some real estate developments, but may also create exceptional opportunities for well-financed real estate investors.

E. WELDON SCHUMACHER

President, American Optical Company

At American Optical Company, the future looks bright. Barring any upset of the national economy, we are confident that 1957 will be a very good year.

This optimistic outlook must be considered in light of last year's performance record. It is estimated now that our sales total will reach an all-time high in 1956, somewhere between $73 and $74 million. Coupled with the fact that our sales to the Federal Government decreased from about 8% to about 6% of the total, we feel this is strong indication of increasing effectiveness of our sales effort, and of public approval of our products.

Our 1956 earnings will be off from earlier years, perhaps 10%. This is attributable, to some extent, to increased manufacturing and operating costs, but primarily to increased expenditures for research and development. A major portion of this increase has been for creation of a Central Engineering Department, charged with development of processes and methods, and with improvement in the use of existing facilities, which will result in cost reductions. There has also been increased emphasis on research. In both these areas, money must be spent well ahead of the time when returns can be counted. We expect returns—and good ones—in 1957.

We expect a small increase in sales in 1957. This volume, coupled with improvements in our price structure, and anticipated cost reductions, should put our earnings on a level comparable to those of our best recent year.

All our planning is being based on this optimistic outlook. We plan to continue our program of expanding and improving our facilities, with capital expenditures in 1957 equal to, or slightly larger than, those of 1956. During 1956, we added a new plant for production of plastic spectacle frames, at Frederick, Md. Nineteen fifty-seven will see completion of a new building at Southbridge, Mass., for expansion of our development work in glass processing techniques.

Our optimism is based primarily on internal considerations, coupled with our confidence that the national economy will continue strong.

NORMAN SCHWARTZ

President, D W G Cigar Corporation

Year-end reviews in these columns are generally expected to be full of praise for the industry's past achievements and reflect an optimistic outlook for the future. As far as the cigar manufacturing industry is concerned I would like to inject a note of warning against any complacency which might develop from the wholehearted acceptance of this point of view. While we can perhaps be a little proud about the progress our industry has made in the last several years, we must realize at the same time that this progress must be sustained. Certainly it will not continue of its own momentum; rather, great efforts will have to be exerted in the future if we are to have the satisfaction of seeing this optimism justified.

Norman Schwartz

In the last few years, a new, progressive spirit has been injected into the cigar industry. This progressive approach has been applied to all of the many phases of the cigar business and has resulted in healthy and much needed change. Most important, it has resulted in growth of total cigar sales, and a wider popular acceptance of our product.

Yet, however desirable growth may be, it is accompanied by problems of its own. First, growth must be financed and, in part at least, such financing must come from earnings. Hence, profit margins at all levels of the industry must be scrutinized anew, and ways and means must be sought to increase the profit margin and thereby generate sufficient cash to help finance a growing industry.

In addition to the capital requirements caused by the necessity of carrying, for aging purposes, huge inventories of leaf tobacco, this problem of financing is further magnified by the requirements of increased sales and advertsing expenditures for a break-through on the marketing front. For sustained growth we must capture for our product more of the consumer's expenditures. To be a strong industry we must keep pace with population growth and consumer buying. Such exploitation requires the intelligent application of dollars—dollars which can be made available only by a profitable industry.

Of course, adequate financing represents but one of the multitude of problems attending the growth and the new maturity of the cigar industry. All of us can think of many problems which must be solved before we can view the record of our industry with real satisfaction. If there must be optimism, let it be cautious optimism, for it will be warranted only if we redouble our efforts and not let up. As we go into the New Year, let us dedicate ourselves to this tremendous task ahead.

NATE S. SHAPERO

Chairman of the Board, Cunningham Drug Stores, Incorporated

Business in general should close with as good a record in 1957, as it did in 1956, perhaps even better. The gross national product is expected to reach an all time high of $440 billion in 1957, which would be 5% above that of 1956. In fields such as automobiles, steel and oil for example, production will increase at a much greater rate according to the forecasts for those industries. Retail sales will probably reach the $200 billion mark for the first time in 1957, which would be about 4% above 1956.


Nate S. Shapero

The outlook for our section of retailing, the chain drug store field, is closely tied to the prospects for other retailing. However, since most of the drug chains operate within definite geographic boundaries, the prospects for employment and economic good health in their respective regions are important. In the case of our Company, stores are located chiefly in the metropolitan areas of Detroit and Cleveland. Therefore, the prospects for automobile and steel production are basic in any sales forecast which we make.

Although we believe that sales for 1957 will be comparable with 1956, or even a little better, increasing costs of doing business are becoming a serious problem with us as with most retailers. Such costs for most part cannot be passed on to the consumer. The only chance we have of holding our position profit-wise, is to increase sales in our present units or to open larger volume stores and to close smaller less efficient ones. But in spite of continued efforts on our part in these directions, we fully expect to end 1957 with less net income per dollar of sales than we did in 1956.

The situation of rising costs has caused me to temper my otherwise optimism with caution. It is possible, as I see it, that we may be reaching a stage in the business cycle (if is it not being too old fashioned to speak of the business cycle) where rising costs could impede the expansion of our economy. Increasing costs of doing business are being nutured by (1) frantic bidding of employers for an insufficient labor force; by (2) scrambling for certain raw materials in short supply such as steel; and by (3) greater demands for money and credit in an already critically tight market.

Historically, rising prices have tended to discourage business expansion. In fact it eventually succeeds in contracting business activity. It is a matter of knowing when it will take place. I'm not absolutely sure it won't happen in 1957.

R. N. SHIELDS

President, The Pittsburgh & West Virginia Railroad Co.

The outlook for the Pittsburgh & West Virginia Railway Company in 1957 is favorable. We anticipate an increased traffic volume of almost 5%. We have been following an aggressive program of industrial development, and in 1957 will enjoy traffic from new industries attracted to our lines during 1956. We acquired additional rolling stock during the year, including especially equipped cars to meet the needs of our shippers, and with over-all business continuing at its present level we should be able to keep these cars rolling. We are constantly striving to improve our procedures and are presently installing mechanized accounting equipment as well as enlarging our program of mechanized maintenance.


R. N. Shields

Our carloadings for the year 1956 showed an increase of 1.6% over 1955. We had anticipated a larger increase, but our traffic pattern was adversely affected by the steel strike, as well as by two other strikes. We earned $3.07 per share as contrasted with $2.87 in the previous year. The time lag between increases in costs to the railroads and increases in rates to offset these costs has had an adverse effect on railroad earnings generally each time the increased costs have occurred. These, of course, are conditions beyond the control of the railroads and are difficult to forecast in predicting future trends.

We have made heavy capital expenditures for track improvements and new equipment in an effort to continue our steady move forward, and we feel that with our fully modern, well-maintained railroad we have an excellent foundation for continuing growth.

Much of the future success of the railroads depends upon recognition of the need for the railroad industry to be placed on an equal footing in competition for traffic. Constantly rising costs in labor and materials must be met either by general rate increases or by increases in railroad traffic. While we can rely to some extent on increased traffic due to the expanding economy, increased efficiency, industrial expansion and aggressive traffic solicitation, we are precluded from attaining our full traffic potential unless our competitive position is equalized.

We feel that this can be accomplished only by a revision in our national transportation policy which now prohibits us from using our inherent advantages to the full extent. The general public will benefit from any revision in our national transportation policy, and the railroads will have some of their stumbling blocks removed.

HERBERT I. SEGAL

President, Van Norman Industries, Inc.

Business and employment in 1957 are faced with one real danger—the results which must follow a continued inflationary spiral. True prosperity is not the amount of dollars in the wage earner's envelope, by themselves, but what those dollars will buy. If increased costs continue to such an extent as to price the products out of reach of the dollars contained in the pay envelope, business and employment will soon feel the bad effects.


Herbert I. Segal

At Van Norman Industries, we face the future with confidence. With our diversification program partly completed, Van Norman now is a producer of basic machine tools, cutting tools which are necessary to the use of metalworking equipment, automotive building and maintenance equipment, machinery for production and finishing of textiles and synthetic fibres, electronic and electromechanical components, radar instrumentation and testing devices and now, with our most recent acquisition, the manufacture and production of stampings, brake lever assemblies and drop forgings. Van Norman now enjoys diversification as to products, type of labor and geographical distribution.

Our finances are strong with current asset-to-liabilities ratio of approximately 5:1; with good leverage for our equity stockholders through reasonable long-term debt and with a strong second echelon of management. We are looking forward to a good year.

HERBERT L. SHUTTLEWORTH II

President, Mohasco Industries, Inc.

The soft floor coverings industry has just completed a year in which new sales and production records have been set. Industry output, it is estimated, will approximate 117 million square yards in 1956, an increase of about 10% over 1955. The dollar value of this output, at manufacturers' prices, is slightly over $600 million dollars.


H. L. Shuttleworth II

It is my opinion that the 1956 production and sales records will not survive this year. Barring fundamental changes in economic events, which of course are always possible in our age of worldwide turmoil, the prospects for a continuation of the growth in volume that has characterized the industry the past two years are excellent. An industry output of 125 to 130 million square yards seems to me a reasonable expectation for 1957.

This increased volume should be attainable even though some of the commonly accepted indexes of probable demand show no increase for 1957. Housing starts, for example, are not expected to be as numerous as in 1956, although the houses that will be built will in all probability have a larger average floor space. Family formation will remain relatively constant at the 800,000 to 900,000 level.

These indexes, however, are measures of additional *new* potential markets. It seems to me that *existing* residential and commercial markets, both new and replacement, are still so far from a saturation point that they alone could sustain a sales level higher than existed last year. Total industry production, for example, represented only about 2.3 square yards per household in 1956.

The important considerations in appraising the outlook for the soft floor coverings industry in 1957 is the probable level of disposable income, and the willingness of the consumer to buy carpet. The current trends in both of these considerations justify an optimistic outlook. Disposable incomes are expected to continue to rise this year, and I believe that consumers can be persuaded to purchase an increased amount of carpet with this rising income. Not only is such an increase in expenditures a logical pattern in good times for an item the purchase of which can be postponed until such times, but it is logical too because of the increasingly effective merchandising practices being employed by the carpet industry. Industry-wide promotion of the functional advantages of carpet and the ease of making carpet purchases through standardized credit plans, as well as the promotional activities of individual manufacturers, should contribute to the continuation of the upward trend in carpet usage that began two years ago.

The outlook for profits is somewhat less clear than the outlook on volume. Carpet wool prices have in recent months risen substantially, transportation rates have increased, and union contracts will be up for renegotiation this spring. The increases in carpet prices that have just been put into effect will improve profit margins, but such solutions to unfavorable margins, necessary though they are at the present time, are not always possible. They are limited both by the increasing amount of foreign carpet entering our large markets, and by the erosive effect which widespread price increases on necessities may have on the purchases of more discretionary items of expenditure, such as carpet.

With these reservations, I look forward to a good year for the carpet industry in 1957.

JOHN H. SIECKMANN

Chairman of the Board, Mercantile Trust & Savings Bank, Quincy, Illinois

The drought in this territory during the summer created serious problems for feeders. Its comparative lateness, however, enabled the harvesting of most of the corn and bean crops without too much damage. Proceeds of these crops are now in the banks.


J. H. Sieckmann

Our industrial concerns report a good backlog of orders for 1957. Perhaps it would be conservative to say the outlook in that field seems highly satisfactory for volume but due for some shrinkage profit-wise.

It goes without saying that all outlook statements must be largely hedged upon weather and other imponderables existing in the international and world situation.

Deposit volume has maintained an ascending curve throughout 1956.

THEODORE H. SILBERT

President, Standard Factors Corporation

In examining the outlook for the commercial finance industry for 1957, it would be unwise to deal with that industry as if its financing operated in a vacuum. The commercial finance industry can not prosper if manufacturing, wholesaling and retailing do not prosper, and these latter industries will not prosper if the American consumer is not prosperous. Any prognostications about 1957 must therefore begin with the American consumer.


Theodore H. Silbert

A realistic estimate on employment in 1957 — based on an examination of industry trends — would show something like this:

	Employment (000 omitted)	Unemployment (000 omitted)	Per Cent Unemployed
1951	61,005	1,879	3.1%
1952	61,293	1,673	2.7%
1953	62,213	1,602	2.5%
1954	61,238	3,230	5.0%
1955	63,193	2,654	4.0%
1956	65,000	2,600	4.0%
1957	66,000	2,580	3.8%

Consumer demand—as evidenced in record retail sales in 1956—undoubtedly will continue, mainly because savings are high, because there has been a comparative stability of prices, and because job security seems to be in the air. Under the circumstances, there is no reason to believe that employment will not continue upward, both in absolute numbers and in percentage of the labor force.

Wages

Any realistic evaluation of employment must obviously touch on wages. The wage trend, in my estimation, may be gauged from the following short table:

FACTORY WORKERS' WEEKLY WAGES

	Current Dollars	1955 Dollars
1951	$64.71	$66.78
1952	67.97	68.59
1953	71.69	71.56
1954	71.86	71.65
1955	76.52	76.52
1956	80.00	79.00
1957	83.00	82.00

This steady rise, while deplored and bewailed in some quarters, does not seem to have undermined the Republic. Some of it is undoubtedly due to the weight of collective bargaining; most of it is due to increased productivity.

Gross National Product

When you combine the cited trend in employment, with the trend in factory wages, it is not difficult to conclude that the Gross National Product will be higher than at any time in the past. However, here we encounter the tight credit situation. Despite the demand, many smaller businesses will not be able to expand sufficiently because they are severely limited on credits. Most expansion in 1957 will be by larger companies.

Continued on page 56

Continued from page 55

My own calculations indicate that the trend on Gross National Product is as follows:

	Gross National Product	Gross National Product Minus Security Spending	Adjusted to Consumer Price Index 1947-49 = 100
	(000,000's omitted)		
1951	$328.2	$290.9	$262.1
1952	345.4	296.6	261.3
1953	363.2	311.7	272.5
1954	360.7	317.7	276.7
1955	390.9	349.7	305.4
1956	410.0	369.2	318.3
1957	430.0	389.0	324.0

With the total value of all goods and services produced in the nation (Gross National Product) continuing upward, as indicated in the last table, this is nothing but a reflection of business activities. Obviously, no businessman wants to be kept busy and have nothing to show for his efforts at the end of the year. Stockholders, at lease, might object—and some pretty vociferously.

Corporate Profits

Under the circumstances, at what level would a prudent man estimate our corporate profits for 1957? Here, the only figures of any significance are after-tax earnings, since we must assume that Congress will not cut the corporate income tax rates.

CORPORATE PROFITS AFTER TAXES

	Current Dollars	1955 Dollars
	(000,000's omitted)	
1951	$18.7	$19.3
1952	16.1	16.2
1953	16.7	16.7
1954	16.4	16.4
1955	21.1	21.1
1956	21.5	21.2
1957	22.0	21.4

Here, it might be said, most corporate profits reflect larger companies with access to bank credit, the public security markets, the commercial paper market and every other source of expansion funds. Smaller companies will do well to equal their 1956 profit level.

Demand for Funds

With so much business activity, and with the persistently increasing pressure for business credit, the commercial finance industry will undoubtedly find a great demand for its funds. This includes the old-line factors who buy accounts receivable, and the finance companies who lend against accounts receivable. The fly in the ointment is that the receivable finance companies depend on bank credit for the major source of their funds. They borrow wholesale from banks, and then lend retail to individual companies. With bank credit tighter, and rates higher, finance companies will undoubtedly charge more and screen their credits more carefully—if only to husband their own lending resources. Most of this lending, obviously, will be to medium-sized and smaller companies which are growth companies and whose sales would expand if additional working capital were available.

No Inflation

Under stable conditions, the increased volume of credit used in finance operations is not necessarily inflationary, finance executives feel. If that larger credit in business and trade leads to a greater supply of goods and services in the market, that is genuine economic growth, and not inflation.

Of course, finance company executives well understand that the best way to prevent a depression is to keep the preceding boom phase of the cycle under control. If there can be judicious and effective control of the use of credit in the expansion phase, the rebound from the peak will be less severe and the new recovery forces may be expected to get under way sooner.

But, many of the executives in the specialized finance industry indicate there must always be enough money to do the necessary money work, and that this supply must increase in step with the economic growth of the community. This does not mean a rate of money expansion to be determined by formula or statistical device. It means simply that the money supply must always be in that relation of comfortable adjustment to the community need for money which will result in the maintenance of a stable price level.

Annual Growth

The prospect for future economic growth of the American economy, even at the historic average annual rate of 3%, depends on a commensurate growth of available credit. If credit is maintained at artificialy low levels, economic growth appears impossible, according to many of the executives in the finance industry.

The Federal Reserve Board is rightly worried about inflation. Yet the Board appears to be acting as though it is afraid of growth.

How is it possible to achieve a $500 billion economy by 1965, as the President has asked, if the money supply is to be rationed at a level hardly adequate to support a gross national product of $400 billion?

Many finance executives today agree that the Federal Reserve Board has acted wisely in putting the screws to credit. But if the Board persists in its stern policy, it will risk precipitating a real dip.

Money Denied

Even if the Board tried to do no more than stand pat, it will be denying the economy the annual addition to the money supply that sustained growth requires. It will, in fact, be overruling its own policy to which many finance executives adhere—which before 1955 allowed the money supply to expand by an average of 3% to 4% a year to keep pace with the demands of normal growth.

In 1955, the Board allowed only a scant 2.5% increase in the money supply. In 1956, the Board allowed only about 1% increase. Almost all the finance executives agree that the Board cannot expect to continue this asceticism without putting unmerciful pressure on legitimate borrowers.

JOSEPH T. SIMPSON

President, Harsco Corporation

Looking to 1957, the prospects for Harsco Corporation and the industries served by its various divisions are most encouraging, with the outlook bright for all phases of our business. The steel industry, of which our Heckett Division is a part, expects a boom year. Use of our die castings by industry is continuing to increase and the market for our steel cylinders should continue stable.

J. T. Simpson

As the world's largest producer of seamless steel high pressure gas cylinders for the storage and transportation of all types of compressed gases, Harsco will continue to serve the leading companies in this field. Increased demands for seamless steel couplings is an encouraging factor, not only for Harsco, the nation's largest independent manufacturer of this item, but also for our customers in that segment of the industry. Another good omen for 1957 is the steadily expanding use of Harsco operations to recover metal from steel-making slag. Harsco already operates 13 of these recovery installations in the United States, with contracts for three more. It also operates two installations in Canada and two in Britain, with two additional United Kingdom plants under construction. Also under way is the construction of installations at two South African steel plants, and one in India, and plans have been perfected for the installation and operation of two recovery plants in Australia.

The nation's second largest independent producer of non-ferrous die castings, Harsco is making an important contribution to an industry which, although a long time coming into its own, has grown rapidly in recent years as the many advantages offered by the use of die cast parts have come to be recognized. Sales of die castings, now approximately half a billion dollars annually, have almost doubled since World War II, and the trend is continuing upward.

Confident that the industries Harsco serves are steadily growing, Harsco is completing an expansion and modernization program totaling more than $5,000,000, to meet the demands of the growing needs of its customer industries. We are making that investment in the future in the firm belief that even better times are ahead for all of us.

S. J. SOLOMON

President, California Eastern Aviation, Inc.

All signs point to substantial expansion in every segment of the air transportation industry in the United States and abroad in 1957.

S. J. Solomon

Barring a reversal in the trend of our expanding economy, it is anticipated that more passengers and cargo and more revenue miles will be flown by U. S. carriers serving domestic and international scheduled routes, and that there will be continued strong demand for the specialized, unduplicated capabilities of the nation's supplemental and military contract transport operators.

The prospects are good, too, for continuing growth and improvement in 1957 in air transport operations in many countries abroad where the requirements for air transportation still exceed the capacity of available carriers. The rising standard of living in these countries is constantly increasing the need for additional air passenger and cargo service, despite steady extensions in route structures, the purchase of additional aircraft and the formation of new air lines.

As supplier of aircraft for numerous air lines and as the source of many types of technical assistance to others, we in California Eastern are convinced that there will be no leveling off in the growth of air transportation in these areas in the foreseeable future. Rather, we look for increased activity and development.

The rising tempo of competition in air transport results in constant replacement of older aircraft by new types having improved performance and capacity and better accommodations for customers. For example, our Airways Division in 1957 will face such a re-equipment program when, in early summer, it begins the task of integrating Lockheed 1049H Super Constellation transports into its fleet operations. These big four-engine aircraft will materially increase our airlift capability. They will provide the modern, pressurized, long-range, comfortable transportation favored for passenger operations and give us substantially greater cargo payload capacity. Like all other aircraft operated by the company, the Super Connies will be convertible, making them quickly available as passenger or cargo transports on domestic and international routes. Additional Super Connies will be phased into our operations in 1958 and 1960.

These aircraft and more advanced transports under consideration will enable us to perform the many air transportation services so vital to the military services and to provide types of commercial airlift the scheduled air carriers can not perform. They will enable us to fly anywhere in the world and make us available for such special assignments as the Hungarian airlift, in which we participated late in 1956 under contract to the Inter-Governmental Committee on European Migration, as well as for many other missions.

The year 1957 also will mark the beginning of public hearings before the Civil Aeronautics Board, regulatory agency governing air transportation, to determine which new airline will be certificated to provide urgently needed additional passenger-mail-cargo service between important terminal cities in Texas and California.

We will present a strong case for certification of California Eastern Aviation as the new carrier to be authorized to carry passengers, mail and cargo on regular schedules from Houston and Dallas-Forth Worth to Los Angeles-San Diego and San Francisco-Oakland. This important route is now monopolized by one major airline. CAB approval of our application would allow our company to use its various bases, long established for military contract missions, for profitable and dependable commercial air services.

Another specialized activity in air transportation is the maintenance, overhaul and modification of commercial aircraft to keep them at peak performance. To meet the ever increasing need for such services, as more and more aircraft are placed into service, our company is planning to increase its maintenance, overhaul and modification facilities. In addition to our large maintenance base at Oakland, Calif., International airport, we will establish comparable bases at other large airports.

Like other operators in air transportation, we are planning for the future of an industry now on the threshold of another new era of expansion and progress.

ROSS D. SIRAGUSA

President, Admiral Corporation

The shakedown in the television-appliance industry during the past year resulted in over a score of companies merging or halting production. This can mean only one thing for the years ahead — more business and greater profits for the sound, well-financed companies that have survived the tremendous competitive pressures in 1956.

Ross D. Siragusa

At Admiral, we expect higher sales and profits in 1957 than were achieved in the past two years. Barring further credit restrictions, the company anticipates that it will produce and sell 10% more appliances — refrigerators, freezers, room air conditioners and electric ranges—in 1957 than in 1956.

Our air conditioner production schedules for the first quarter alone will exceed our total room cooler sales in the full year of 1956. We have introduced for this growing market a new two-ton unit capable of cooling an entire average-size ranch type house. It features compact slim-style design, costs far less than a central cooling system, and will cool up to an 1,100 square foot house or apartment.

Television output of the entire industry might reach a record 9,000,000 units in 1957, with nearly half of them 10-, 14-, and 17-inch portable models. Color TV should continue to grow steadily with sales estimated at nearly 500,000 units.

Radio sales were excellent in 1956 and I foresee an increase of 5% this year, due largely to the popularity of the new pocket transistor models. The movement of high fidelity phonographs should continue to show relatively sharp gains because the market still has low saturation.

A. M. SONNABEND

President, Hotel Corporation of America

Although 1956 was the greatest business year in history measured by almost any economic index, there is ample evidence that 1957 should be equally prosperous. The nation is definitely in the heady grip of the prosperity psychology and the chief reason for the great American boom is clearly the growing population of the country which is registering 11,000 births every 24 hours and one million new families every year.

A. M. Sonnabend

The hotel industry is certain to benefit from this continued prosperity and high economic level. Increased consumer spending will prevail in the realm of travel and hotel facilities should find the law of supply and demand operating in its favor.

Large quality hotels efficiently operated will be the principal beneficiary. The consuming public with their increased incomes will be in the market for quality products and quality service and will be eager to pay for the best that hotels can offer.

Motels and motor hotels should also benefit greatly from the increased spending by consumers on travelling and they should become an even more important factor in the hotel industry than they have been in the past.

Increased competition within the industry may cause the small marginal operators to suffer somewhat but there should be sufficient business for all and the well-known economic rule "survival of the fittest" should prevail. The same competition will result in large programs of rehabilitation, modernization and redecoration in many of the older hotels. The hotel industry may see a degree of face-lifting unprecedented in the hotel industry.

Nineteen fifty-seven will undoubtedly see the construction of many new hotels and motels to correct the great shortage of hotel facilities in many areas around the country. This process, however, will be radically slowed by the tightness in the money market but the need is so great that many hotel owners, developers and promoters will proceed with new projects. Even the high cost of construction should prove no greater deterrent than in 1956.

In conclusion, barring an unforeseen international emergency, the hotel industry should experience possibly the greatest year in the history of this industry.

SCEVA SPEARE

Chairman of the Board,

The Indian Head National Bank, Nashua, N. H.

We feel 1957 will be a splendid year for banking and business in New Hampshire, perhaps as good as 1956 which was excellent. We have a wide diversity of industry, with the electronics, building materials, shoes, machinery, metals, paper products, textiles, and farming important. Local business leaders are on the whole optimistic for 1957, especially for the first half of the year. In fact, many plants are booked solidly through that period and new order inquiries suggest that a good second half is probable as well. Industry sales have risen, and prospects point to further gains as both new industry additions and plant expansion programs will continue important. Producers in this area are well aware of the tendency toward narrower operating margins resulting from increasingly aggressive competition for the consumer dollar but are confident of meeting the problem successfully.

Sceve Speare

With business volumes good and employment high, the banks in the area face a continued substantial demand for credit from all sources. Because interest rates are generally higher than has been the case for many years, and in view of the continued pressure of loan demand, the outlook for bank earnings remains favorable.

Moreover, it seems probable that needs of customers can and will be met, so we feel that it is highly unlikely that business activity in New Hampshire will suffer because of credit shortages. Business leaders will have to keep their pencils sharpened, but there is no reason for looking forward to 1957 with anything less than a high degree of optimism.

STANLEY M. SORENSEN

President, Hammond Organ Company

Sales and earnings of the Hammond Organ Company have increased consistently during the past several years and there is no apparent reason why this upward trend will not continue in 1957. Indicative of our faith in the future, we have increased production facilities substantially and now are developing plans for a 150,000 square foot addition to our new Melrose Park plant in suburban Chicago. Although a downturn in the economy always is a possibility, we view the year ahead with optimism.

S. M. Sorenson

There are numerous reasons for Hammond's confidence in the future of its business.

First and foremost is the virtually untapped American home market. The potential of this market assumes even greater significance when it is realized that organs have been placed in only a fraction of 1% of the 40,000,000 to 45,000,000 homes in the United States. Our sales potential is further broadened by the church market. New church construction, now at an all-time high, makes this market particularly important in the months ahead.

Another reason for optimism may be traced directly to our outstanding merchandising organization, consisting of carefully selected dealer stores stretching from coast to coast. Sales and earnings go hand-in-hand, and gains registered thus far in our current fiscal year show that the Hammond dealer organization is more aggressive and more promotion-minded than ever before in the history of our company. Moreover, we constantly are developing, testing and applying "creative selling" techniques designed to expose the Hammond Organ to more and more people.

Desire for the Hammond Organ is further enhanced by the excellence of the product and its many exclusive features. In addition, Hammond offers a complete line, ranging from the easy-to-play Chord Organ to the artist-accepted Concert model.

Sales and earnings for the current fiscal year, ending March 31, 1957, may be the highest in the 29 years that we have been in business. Earnings for the six months, ended Sept. 30, 1956, amounted to $1.42 a share, representing a 25% increase over the $1.14 a share that was reported for the same period one year ago.

During the calendar year of 1956, the Hammond Organ Company paid dividends amounting to $2.30, an increase of 70% over the $1.35 that shareholders received in calendar 1955.

In a letter to shareholders, accompanying the 63rd consecutive quarterly dividend on the common stock, the company announced that the board of directors, in the light of continuing good business, undoubtedly will declare a second extra dividend this fiscal year, payable in March.

Everything considered, we believe the outlook for 1957 to be very favorable for the Hammond Organ Company, its shareholders and its employees.

LOUIS STEIN

President, Food Fair Stores, Inc.

The nation's largest industry, the retail food distribution system, chalked up new sales records in 1956. Retail food sales are estimated to have exceeded $44 billion. For the coming year, the industry is setting its sights on sales in excess of this figure.

Louis Stein

There is ample reason for confidence in the industry. The American population is still growing at a rate of approximately three million individuals a year. National income as well as consumer spendable income is at peak levels and still rising. Commodity prices, after an extended period of relative weakness, have begun to climb moderately upward. The nation's consumers are flouting Engel's law which states that food purchases as a percentage of income will decline as incomes rise. Housewives are purchasing higher priced, better quality and convenience foodstuffs in ever increasing quantities. Frozen foods, cake mixes, instant coffee and desserts, as well as prepared meals and other convenience foods, have increased the American housewife's leisure hours substantially. At the same time, the "built-in maid services" for which the housewife is willing to pay are largely responsible for the fact that food sales in the postwar period have stayed at a relatively consistent 25% of disposable consumer income despite the latter's rapid rise.

Setting the pace for the expansion of retail food sales in the postwar period have been the supermarkets, which in 1956 accounted for approximately 55% of total retail food sales despite the fact that supermarkets numbered only 5% of total retail food outlets. The supermarket, which began a virtual revolution in retailing, has evolved into an extremely efficient and convenient form of distribution. Changes wrought in the supermarketing technique since its origin in the early thirties are evident in a comparison of the first stark and untidy warehouse-type of operation with today's spacious and sparkling supermarkets. The principles epitomized in today's supermarket . . . high volume, low mark-up and high turnover . . . are rapidly spreading to other segments of the retail distribution system.

There seems little doubt that the continued growth in retail food sales will be concentrated largely in the supermarket field. The exodus to the suburbs, the growing dependence upon automobile transportation, the desire for greater variety of food products, the bargain hunting instinct of the American housewife . . . all are factors which favor the extension of supermarketing.

Food Fair's faith in the supermarket principle of mass retailing is manifest in its own expansion program. During the calendar year 1956, the company added thirty-four units to its ten-state chain extending from Connecticut to Florida. At the year end, the chain comprised 265 units, exclusively supermarkets. Food Fair's sales, which were approximately $475 million in the fiscal year ended April 28, 1956, should be at the annual rate of approximately $625 million by next April 27th. The company's expansion program contemplates the addition of $100 million in sales annually over the next several years. The company's current major objective is an annual sales rate of $1 billion by April, 1961.

ARTHUR W. STEUDEL

President, The Sherwin-Williams Co.

The paint industry should experience another high volume sales year in 1957. Consumption of protective and decorative coatings in the year ahead conceivably can surpass all former records in this country.

A high level of demand is anticipated for almost every element of national product on which paint and protective coatings are used. This includes the nation's total building effort—home and business construction—as well as an expanding products finishes requirement.

Arthur W. Steudel

Broadening the base for paint sales will be another likely increase in substantial alterations and additions to older homes and commercial buildings. Paint requirements to protect and beautify these newly produced surfaces will add to the industry's sales potential.

With the new construction, and the tremendous number of existing homes and other buildings—many of which were erected in recent years and are only now ready for repainting the first time—the outlook for the sale of interior and exterior house and building paints is promising, indeed.

However, paint for new and already-existing dwellings, schools, hospitals, factories, farm buildings, office buildings and other structures represents only 60% of the total market for paint products; industrial and transportation finishes make up the significant balance.

Here again, the paint industry, whose products are vital to the beauty and long life of so many industrial type items, can look forward to an expanded volume in 1957. This is particularly apparent in increased first-quarter activity already scheduled in the automotive field and to some degree in railway and ship building operations. Other industrial paint requirements are for such diverse items as home appliances, furniture, office equipment, machine tools and just about everything else produced in America.

It is against this background that we at Sherwin-Williams look forward to a banner 1957 in our own business. During our latest fiscal year, which ended Aug. 31st, our sales were up 7.8% over the previous year. Our present plans call for stepping up that pace.

To achieve our goal we have developed a variety of new products.

For example, in the automotive field we recently introduced "Exlon," a completely new finish that combines the advantages of lacquer and synthetic enamel to produce a more brilliant, durable and attractive coating in less time at lower cost.

In the industrial maintenance field, we have added such extremely durable finishes as "Cati-Coat," a catalyzed paint that withstands prolonged exposure to chemical and industrial atmosphere and, in many cases, permits the use of lower cost construction materials.

For interior decoration, we are introducing a wide new range of colors in Super Kem-Tone, the latex wall paint, and Kem-Glo, the alkyd enamel. These are the largest selling decorative paints in the world.

A striking new development is the addition to the Kem-Glo line of a new type of enamel that dries to a distinctive non-gloss finish that is setting a new decorating trend. New raw materials and manufacturing processes make this unique finish possible.

To aid homemakers, painters and decorators in color selection, we have published a 1957 edition of our Color Harmony Book, a unique consumer service that takes the guesswork out of color selection by showing over 1,500 color harmonies. This color reference manual shows at a glance which colors go together correctly and is currently in wide demand on a free borrowing basis for consumers throughout America.

New industrial product developments include several modified silicone insulating varnishes, fast-dry baking enamels and paints that give a multiple-color, speckled finish. These products, too, provide a solid foundation for optimism.

In other phases of our business, such as chemicals, pigments and dry colors, the outlook is equally encouraging. Our recently completed additional production facilities for phthalic anhydride, para cresol, phthalocyanine blue and barium carbonate are now in full operation, supplying the growing needs of the rubber, textile, plastics, petroleum, ceramics, glass and printing ink industries. The same is true of our expanded container production program which enables us to meet not only our own requirements but those of packagers of oil, anti-freeze, floor waxes and many other products as well.

Thus, summing up the prospect for 1957 for our industry as well as our own business, we feel that the new year has exceptional opportunities in store for all who face the challenge creatively.

H. M. TALIAFERRO

President, American Seating Company

Last year, we defined our field, which is the public seating industry. As classified by the Bureau of Census, it consists of manufacturers of specialized furniture for the mass seating markets. This includes schools, churches, public auditoriums, theatres, and other users of fixed or portable group seating.

H. M. Taliaferro

A discussion of the outlook for the public building furniture industry must necessarily be closely linked to new construction of educational, religious, social and recreational projects. The continual expansion of our population, both in total numbers and geographically, creates constant needs for community facilities: schools, churches, Sunday schools, auditoriums, etc.

Much of the building which will require mass seating in 1957 has either already started, or is well beyond the initial planning stages. Thus, minor changes in the economy will have less immediate effect on industry markets than might be the case in some other industries. Of course, it would be both naive and dangerous to assume that the industry is insensitive to the national economy, even over a shorter period than a year. Many decisions affecting rehabilitation work to be done in 1957 are still pending, and could be dropped if a business downturn occurred in 1957. However, we do not anticipate a serious change in the overall economy, either up or down, next year.

Generally, we look for a market for public building furniture in the neighborhood of 5% to 7% over 1956. As in most other industries, many companies have introduced new designs, and competition for the available

Continued on page 58

Continued from page 57

business will be more severe than ever. Although building cost increases have cut into planned budgets, we believe that those firms whose sales appeal is built on product advantages will continue to be successful.

A separate, and considerably smaller, market for mass seating is in the transportation field. Production of transit and over-the-road busses should be somewhat higher in 1957 than in 1956, but will not reach the theoretical levels of vehicle replacement indicated by production in the late 40s.

Speaking for the American Seating Company and its network of distributors, we anticipate a year of excellent opportunity in 1957—a prospect on which we intend to capitalize with aggressive sales promotion, advertising and product research.

MODIE J. SPIEGEL

Chairman of the Board, Spiegel, Inc.

The nation's total business activity in 1957 should produce a gain of at least 3% to 4% (exclusive of price increases) over the high levels of production and consumption which characterized 1956. The major stimulants to the economy in 1957 are expected to be increased business spending for plant and equipment, increased government spending and higher consumer incomes. New construction and inventory build-up must be regarded as neutral forces in the coming year.

M. J. Spiegel

On the retailing front, the anticipated increase in consumer incomes should mean higher sales for virtually all types of retail outlets during 1957. New car sales in particular should register a substantial gain over the relatively low level of 1956.

During 1957, an estimated ten million people will make final payments on installment purchases. This should help increase total installment sales above those achieved in 1956.

CHARLES A. TAYLOR

President, The Life Insurance Company of Virginia

Life insurance sales will continue to be very good indeed during the first part of 1957 and I find it hard to believe that, with home construction and plant expansion pressing hard on all available savings, the prosperity of the country will not continue through the whole of 1957. There probably will be some trouble spots just as there were last year, and competition among the companies for their share of the business will probably increase. I believe, however, that total sales for the year will surpass those for 1956 and that all of us who are alert will get our share.

Charles A. Taylor

Investment opportunities can hardly fail to be good throughout the year, assuming no major change is made in the Federal Reserve policy. No such change, I hope and think, will be made. The year 1957 looks to me as though it is bound to be a good one.

GEORGE F. THURBER

President, The Second National Bank of Nashua, New Hampshire

The outlook for banking during 1957 is better than it has been for 25 years but intelligent management will be all important in meeting the challenge of competitive banking and a new banking era. During 1956 requirements for funds were much greater than the supply of funds, resulting in a very rapid increase in interest rates. Potential demands for 1957 are even greater and should result in much greater earnings for banks from loans and investments, which should more than offset higher operating costs and increased payments of interest on time deposits.

Geo. F. Thurber

Description of Federal Reserve policy of the last two years as a "tight money policy" is not accurate. Figures for the reporting banks in 93 cities outside of New York City for Dec. 19, 1956 show commercial, industrial and agricultural loans at a new high of $19,776 million, whereas for the comparable week in 1955 these loans totaled $17,496 million, a year-to-year increase of 13.0%. Furthermore, the gain from Dec. 22, 1954 to Dec. 21, 1955 was $2,620 million, or 17.6%. Thus, over the entire two-year period, business loans showed a rise of $4,900 million, or 32.9%. In the case of New York City banks, these same types of loans in final week of 1956 were $11,472 million. For the full year 1956, these loans increased $2,265 million, following a gain of $1,639 million for all of 1955. Thus for the two years, these loans by banks in New York City increased over 50%.

The above figures emphasize Federal Reserve policy did not restrict banks from making loans. The rapid rise in interest rates was caused by the excessive demands of borrowers and the pressure upon available funds by the requirements of investment markets.

The Board of Governors of the Federal Reserve System, under the able leadership of Chairman Martin, has performed its tasks intelligently and courageously, and has recognized the inflationary dangers which could wreck our economic system. Pressure groups will not influence their policies, and since potential demands are greater than the supply of funds, interest rates will continue to rise.

The result will be higher yields and lower prices for bonds. For example, American Telephone and Telegraph Company plans to offer $250 million of bonds during March. While the company paid an interest rate of 3.70% in July, 1956, it is estimated that today it will pay 4½% and a continuing downward bond trend would require a 5% rate.

A year ago common stocks were considered high and were expected to drop because of a predicted slight recession and the narrowing spread between bond and common stock yields. A substantial drop in stock prices may be in the offing, particularly those "blue chips" which are considered growth stocks and are selling on a low yield basis.

Over-all business activity will be greater despite further declines in housing starts, automobile production, and appliance manufacturing. Increased activity will be shown in the fields of industrial plant and commercial building construction and all types of public construction such as schools, highways, hospitals and other public works.

JOSEPH S. THOMPSON

President, Federal Pacific Electric Company

1957 will be a year of substantial activity if the backlog of Federal Pacific Electric Company is a good index. In spite of the cost of steel and of labor, building contracted for already would make a substantial year's activity. In the long view, however, though some economists tell us that the danger point is far from having been reached, we must guard against the possibility that there will be, like a row of dominoes knocked over, the failure of many businesses due to discontinuance of credit purchases and a dismal period of repossession.

Joseph S. Thompson

One of the surest ways to avoid this would be to relieve industry of the burden of taxation, which actually amounts to fining enterprise, and a return to a less freely manufactured currency. The dwindling value of the dollar should be stopped, first, by a sensible taxation program (namely, land rental); second, by a slashing of the appropriations to various departments of the government; and third, by a discontinuance of government borrowing and of "Victory" and "Liberty" bonds.

WILLIAM TUCKER

President, The F. C. Russell Company

The short range outlook for those products consumed by the home building industry is not an optimistic one. In the year 1956, there were 250,000 fewer homes built than were constructed during 1955. All indications are that the 1957 home building program will be from 7% to 9% lower than the 1956 building rate.

With FHA and VA guaranteed loans applying to such a large percentage of the new homes built, there will be no great improvement during 1957 unless Congress and the Administration increase substantially the limitations currently imposed on interest rates for home financing. There appears to be an adequate amount of capital for financial needs, but it is being channeled into those fields that offer the highest yield. Therefore, the prospective home builder must compete with other demands for his financing.

William Tucker

All indices indicate a real demand for new homes in practically all price brackets and the means must be found to finance this need, which will become increasingly acute over the next few years. The continued high rate of population growth and the rapid increase of new family units will create a critical housing shortage that must result in more homes being built in the next decade than the record number that was built in the past 10 years.

On a much more positive and optimistic side is the predicted 1957 activity in the home improvement field. Forecasts indicate an expenditure of from $17 to $24 billion for maintenance, repairs, and improvement. If accomplished, this represents an expenditure of $500 million greater than that of 1956. The estimate seems within the realm of achievement as one of the basic premises is that approximately 70% of all present housing units need repairs of some nature and that over 40% of home owners made no improvement expenditure in 1956. This, in itself, represents a very gratifying expectancy for all manufacturers of building components, including prime windows, combination windows, doors, and other allied products.

If the rate of new housing starts is held at the predicted level, plus the continuing high rate of activity in other fields of construction, including home modernization, the over-all construction industry will hit a peak of an estimated $64 billion this year. In spite of restrictive measures in the home construction field, the window and door industry can look forward to a profitable year, particularly those companies with sales and product development programs adjusted to current marketing conditions.

D. W. TYRRELL

President and Chairman of the Board, Ray-O-Vac Company

D. W. Tyrrell

The Ray-O-Vac Company's sales volume was up slightly in the calendar year 1956. As a result of the cost price squeeze there was some profit reduction during this same period.

The volume of sales will hold fairly steady in 1957 with the possibility of a slight decline. There should be, however, some improvement in the cost price relationship as a result of price increases which went into effect on Dec. 17. It would seem some profit recovery is indicated for the year 1957.

ARNULF UELAND

President, Midland National Bank of Minneapolis

It is well known that in 1956 the general economy of the country again attained a new high level. This occurred in spite of some declining trends in such areas as housing construction, automobile production and agriculture.

It is apparent that we enter the new year at a very high level of business activity, but so much has already been written on this subject that it seems needless to add either an appraisal or enumeration of the various factors involved. The force of the existing strong economic momentum promises to continue, and many believe that it will bring new heights to business in 1957. This outlook would be more clear if it were not for diminishing ratios of productivity to wages, declining profit margins for many businesses, impaired corporate liquidity, an exceedingly heavy burden of personal, business and public debt and an unpredictable international situation.

Arnulf Ueland

The over-all outlook warrants an attitude of confidence for the year ahead, but one tempered with enough caution to avoid extreme commitments and undue risks.

GUY W. WADSWORTH, JR.

President and General Manager, Southern Counties Gas Company of California

Since the end of World War II, any mention of the southern California market has implied accelerated growth. From that time roughly also has stemmed development of the natural gas industry as we know it in this country today. The 1957 outlook for Southern Counties Gas Co. of California (a wholly owned subsidiary of Pacific Lighting Corp.) would seem a clear reflection of continued growth trends both of the areas we serve and the industry of which our company is a part.

In 1957, Southern Counties Gas Co. expects to have a budget of around $24,000,000 and add approximately 54,000 new customers to its lines in a service area of approximately 1,200 square miles.

G. W. Wadsworth, Jr.

The planned budget will be the highest in the company's 45-year history, substantially exceeding the previous high of $19,645,000 of 1956.

In the immediate post-World War II years southern California population gains were chiefly engendered by migration of people who, I suppose, liked the climate.

While growth of the area is expected to continue sharply—a projected increase of at least 35% by 1970 over 1955—it is interesting to note these gains will be brought about through natural increases (births over deaths) rather than by migration of newcomers into California. By the period of 1966-70 natural increases will supply nearly six times as much population gain as migration into the State, compared to the period, 1951-55, when newcomers to our area provided three-fourths of our population gain.

These increases have been and will continue to reflect growth of our company. In the 11 years—1946-56—this company's rate of growth has been at better than 134%. By year-end 1956 we expect to be serving more than 597,000 customers, compared to the 254,770 consumers on our lines in 1946.

The continued high rate of customer additions (in excess of 50,000 a year since 1955), plus the increased use of gas by all our consumers (our average residential customer now uses twice as much gas as he did in 1940) have required provision of substantially increased amounts of natural gas. More than 65% of the primary gas supply of Southern Counties and its affiliate, Southern California Gas Co., now must be imported from Texas and New Mexico producing fields.

In 1947 when the "Biggest Inch," 1,200-mile pipeline carrying this out-of-state gas was first made operative, we were importing 175,000,000 cubic feet a day. By mid-1958 the two California companies expect to be purchasing 1,016,600,000 cubic feet of gas a day from El Paso Natural Gas Co.

The original 30-inch California segment of the transmission line has been completely looped and we are now building a third line from the California-Arizona border to Los Angeles. Cost of this new 30-inch line—from Needles to Alhambra—is expected to run $32,614,000, including compressor facilities. Southern Counties' share of this total will be approximately $9,785,000.

In addition we plan in 1957 to add 2,000 miles of pipeline of various sizes to our distribution system, with only about 300,000 feet of this to be replacement.

In line with an optimistic nation-wide forecast on sale of gas appliances from 1960-1974 published recently by the American Gas Assn., estimated potential sales of gas equipment in our service area for 1957 are up from similar figures for 1956, as follows:

Approximately 73,000 ranges (compared to 67,000 in 1956); 79,000 water heaters (compared to 77,000 in 1956); 22,000 gas cloths dryers (compared to 16,000 in 1956); and 59,000 space heaters (compared to 57,000 in 1956).

HENRY VERDELIN

President, First Western Bank and Trust Company, San Francisco, Calif.

Present signs indicate that the year 1957 will be one of continuing prosperity. An expanding population, higher employment, larger incomes from wage increases, and other sources will create greater demands on business, industry, labor and agriculture.

Henry Verdelin

Prices should continue to rise moderately, but care must be exercised so that too high prices do not affect the demand.

Total capital expenditures should be at a new high with public works for roads, schools and churches contributing a substantial amount.

Changing population centers make for increasing prosperity in states such as California where the influx of new residents continues in substantial proportions. This, combined with new industries, adds to its economic growth.

Housing at the moment indicates a lower number of starts, but this should not hold true insofar as California is concerned.

Higher interest rates will continue, but an appreciable increase over the present levels should not occur.

There is no evidence of accumulating inventories, but an increase because of greater activities can be expected with a resulting greater demand for loans to business and industry.

With the continuing demand for automobiles and other products subject to installment credit financing, an increase in this type of financing can be expected.

Efforts to reduce inflationary effects is desirable. This may not be completely possible although present indications are that the present credit restraints are becoming more effective. The inflationary spiral, because of wage increases and increasing incomes from other sources, may continue unless a greater proportion thereof is put into savings.

CLOUD WAMPLER

Chairman of the Board, Carrier Corporation

With home, commercial and industrial use of air conditioning continuing upward, this industry in 1957 will break all sales records for the eighth consecutive year. Total retail volume will climb to $3½ billion, and a further increase in total retail sales to a $5 billion level in 1961, five years hence, is expected. By way of comparison, we estimate the volume for 1957 at just under $3.2 billion.

Cloud Wampler

As evidence of our conviction that the air conditioning business will continue its dynamic growth, the Carrier Corporation will make capital expenditures of $30 million for expansion and improvement of facilities over the next two to three years. The program includes new research, development, manufacturing and administration buildings in Syracuse, and a new plant on the West Coast.

Three major areas of air conditioning industry growth are as follows:

(1) Central air conditioning of residences will increase from 175,000 systems worth $262,500,000 at retail installed during the past year to 250,000 at $375,000,000 during 1957. By 1961, central equipment will be going into residences at a rate of 600,000 installations annually at a retail value of $900,000,000.

(2) The air conditioning of existing office buildings—which has been for many years the largest single source of "big" air conditioning contracts—hit a new high during 1956 with the market just beginning to open up wide in a number of cities.

(3) Air conditioning of industrial plants for greater employee efficiency has shown a spectacular climb during the year just completed, with Carrier orders booked for this type of installation increasing 255%.

I believe we are seeing the beginning of a trend in the industrial market—one of our oldest historically—which will lead to a giant new area of endeavor for the air conditioning industry.

In addition, production efficiency will be markedly affected by automation. Our nation's factories are daily installing more automatic production equipment using electronic devices which produce great quantities of heat and need temperature control to function properly. Automation is one of air conditioning's best friends.

In addition to these specific areas, we expect gains across the board in air conditioning and refrigeration sales. I look for a rise in the relatively new business of applying packaged air-source heat pumps for year-round residential and commercial air conditioning from about 10,000 systems which will be installed in 1957 up to 50,000 annually in 1961.

In the field of room air conditioners, the industry is entering a period of large-volume acceptance when the selling of such equipment has become more predictable and a stable pattern is beginning to emerge.

Although the number of brands has dropped to about half of those on the market a year or so ago, competition has not decreased. But it is becoming more and more the intense competition of able and experienced concerns, where intelligence, hard work and high quality can pay off in sales and profits. We expect that Carrier's production of room air conditioners in 1957 will be approximately double that for 1956.

Air conditioner sales at retail by the industry, in my opinion, will climb from 1,600,000 units in 1957 to 2,150,000 units in 1961.

Total air conditioning industry sales at retail in 1957 are estimated as follows: room air conditioners, $440 million; self-contained equipment, $238 million; residential systems, $375 million; applied or "built-up" systems, $1,190 million; heating installations adaptable to air conditioning, $650 million; all other, $600 million; total, approximately $3½ billion.

The comparable picture for 1956 was: room air conditioners, $426 million; self-contained equipment, $215 million; residential systems, $262 million; applied systems, $1,048 million; heating equipment adaptable to air conditioning, $638 million; all other, $575 million; total, approximately $3.2 billion.

CHARLES A. WARD

President, Brown & Bigelow

Businessmen everywhere are planning for a larger share of the bigger market ahead. In a favorable business climate, they face a year of greater productivity, increased population, public works programs, and not one, but hundreds of wonderful new products and services.

Charles A. Ward

This is the greatest opportunity in history for intelligent advertising. The stepped-up tempo of the bigger market will be marked by tougher competition. The wise advertiser will be prepared for the competition.

Our 1,100 salesmen report that alert businessmen are planning ahead by revising advertising budgets upward. Brown & Bigelow sales since the opening of our new selling season which began Dec. 1, have broken every record set in our 60-year history.

RICHARD WEININGER

President, Ward Industries Corporation

The nation's economy reached new record heights in 1956 and has entered the new year with undiminished vigor. While there will undoubtedly be soft spots in 1957 as there were in 1956 (the automobile and residential construction industries, for example), all indications point to continued prosperity for the foreseeable future. The advent of tight money will certainly have an influence on the economy, but most forecasters do not consider that this influence will be severe. Current predictions are that the nation's gross national product in 1957 will range between $425-$435 billion, an increase of 3-6% over the estimated $412 billion achieved in 1956.

Richard Weininger

Of the basic favorable factors underlying the economy's strength, none is equal in importance to the continued growth in the population and its ability to produce goods at expanding rates. The American consumer's goal appears to be an ever rising standard of living, and blessed with a free economy which makes it possible, he is achieving it.

With regard to the industries in which it competes, Ward Industries Corporation shares the general business optimism. Considerable improvement is expected in the manufacture and sale of commercial dry cleaning and laundry equipment by the company's Prosperity Company division. Underlying this improvement is an expanded market, brought about by the increased population and its higher living standard.

The coming year will witness new tools for the laundry and dry cleaning industry. Prosperity introduced two new machines in 1956 which will have their first real impact in 1957. Other new designs are currently nearing the production stage. As a corollary of a trend toward rapid laundry and dry cleaning service, many wholly new plants in new locations are being merchandized. Prosperity furnishes the customer technical service in locating and planning his new plant and sale of service as well as equipment is one of the main factors in the division's expected 1957 gains.

Improvement in the market for vacuum cleaners, also manufacturer by the Prosperity Company division, is expected, too. Industry sources believe that vacuum cleaner sales in 1957 will be substantially higher than last year. Again, the rising standard of living and demand for greater leisure are factors. The home is becoming mechanized with labor-saving devices.

Ward expects gratifying production and sales during 1957 of its metal wall partitions. Contrary to experience in the residential construction industry, office building is continuing at a high level. Most of these office buildings are designed to incorporate flexible, movable interior partitions of a type such as Ward's "Metlwal."

Viewing both the economy in general and those aspects of it which directly concern the company, Ward's management finds ample room for confidence in contemplating the coming months.

J. B. WARD

President, Addressograph-Multigraph Corporation

The plus factors in current forecasts proclaim a continuing satisfactory economic climate for 1957.

Favorable conditions are not enough. They merely set the stage for progress.

A business makes greatest progress when market coverage is sufficient in quantity and quality to serve market demand . . . and when new product developments anticipate market need.

J. B. Ward

The year ahead will be characterized by strong and effective competitive effort in every line of business. Therefore, further strength must be imparted to distribution organizations through improved and more effective methods of hiring, training and supervising.

Effective planning, cooperative effort and precise timing are vital, if new products are to reach markets when needed. This phase of business operation represents a greater challenge than ever to Research, Engineering, Manufacturing, Accounting and Sales personnel.

The degree of response to this challenge will be proportionate to the improvement management makes in its "know-how" to inspire and lead, as well as demand . . . and will increase as supervision—at all levels—acquires a better understanding of fellow workers . . . and the kind of helpful guidance that will motivate their best efforts.

C. M. WHITE

Chairman of the Board, Republic Steel Corporation

Capital expenditures of Republic Steel Corporation will reach an all-time record high in 1957. At the present we anticipate spending more than $150,000,000—and this on the heels of capital expenditures of over $90,000,000 in 1956, our third highest year.

Charles M. White

It is not unlikely that this pattern will be followed by other major steel producers for virtually all of us are at one stage or another in huge expansion programs. The nation's steel capacity is being rapidly expanded and by Jan. 1, 1959, should approximate 15 million tons above the 128,000,000-ton capacity of Jan. 1, 1956.

But the sensational growth of the steel industry of recent years has unearthed major problems which must be faced before further substantial progress can be made. One of these is the tremendous cost of new steelmaking facilities as compared with the written-down cost of present facilities. A second is the huge gap between the cost of almost any new piece of steel mill equipment and the original cost of a piece of worn out equipment which is being replaced.

The recent refusal of the government to grant further rapid tax amortization for new steel facilities accents both of these problems. Earnings of steel companies have been siphoned away year after year to bridge the gap in costs of new equipment as compared to old. As a result, steel stock prices have been held in check making it impractical to issue new stock to finance new steel capacity.

A change in government depreciation policies in the computation of income taxes is one step which should be taken soon to help meet this problem.

We in Republic are currently adding 1,776,000 tons to our annual ingot capacity, an increase of 16%. In addition, we are adding facilities at our Ferndale, Mich. tube mill, building a steel barrel plant in West Virginia and are in the middle of a very substantial expansion of our facilities for melting and rooling titanium. During the year, we completed several smaller projects including a plant for production of culvert in Pennsylvania and a very large warehouse in Charlotte, N. C.

Some of our anticipated expenditures of 1957 might have been made during the current year but delays were experienced in the delivery of essential items of electrical machinery due to a major strike in electrical manufacturing over a year ago. The 1956 steel strike also has caused some delays in receiving material originally ticketed for delivery in late 1956. As a result our anticipated 1956 capital expenditures of $110,000,000 will only slightly exceed $90,000,000.

Continued on page 60

Continued from page 59

In spite of the tremendous outlay for new plants and facilities which the steel industry is making it is increasingly apparent that we may be abreast of demand for only a very short period of time. With population and steel consumption per capita rising steadily the long range need for steel is going to give us little opportunity to rest on our oars. How soon and how much more expansion will be needed is not entirely clear at this moment but the problem of rising cost and inadequate depreciation will figure in the decisions of every steelmaker where to go from here.

The year 1956 produced at least one milestone in steel history—the beginning of large scale use of taconite concentrate as a blast furnace material. In its first year of operations, Reserve Mining Co., in which Republic has a one-half interest, will ship nearly two million tons of concentrated taconite pellets to Republic blast furnaces on the Great Lakes. Next year will almost certainly see even larger shipments to Republic. Republic will receive about one million tons of concentrated Adirondack ore in 1956, and substantial tonnages of washed or screened ore from other sources. Thus with well over a third of our raw materials now receiving some form of treatment we are definitely, as a company, entering an era of prepared blast furnace ores—an era which should see furnace output hit unprecedented tonnages.

The dark cloud which cast its shadow over the 1956 business of the steel industry was not without its silver lining. The summer steel strike, which so adversely affected our business during all or part of three months, produced our first long-term contract. We already have found this has enabled us to plan our protection more effectively and that our customers can tackle building or maintaining inventory more efficiently. It will also enable us to get through the current expansion program without the interferences in construction which we faced last summer.

CHARLES P. WHITEHEAD

President, General Steel Castings Corporation

The steady increase in most of our areas of production which we experienced in the year just closing is expected to continue well into 1957. General Steel's principal products are specially designed one-piece steel castings for railroad cars and locomotives and large, high precision castings for heavy industry. In all of these fields, orders have run ahead of 1955, and our current backlog assures production in all of our three plants at the present level through at least the first half of next year.

Chas. P. Whitehead

Demand from the railroads for General Steel's cast steel underframes for flat cars and pulpwood cars has continued. Last year we introduced a larger capacity pulpwood car, which has stimulated further increase in the demand for this item. Orders for over 1,300 underframes and uprights and posts for these cars are now on our books, along with orders for other pulpwood and flat car underframes. Our backlog for 1957 also includes substantial orders for high speed express car truck frames. These trucks are of General Steel design and have gained increasing acceptance with the railroads. The Railway Express Agency recently placed a repeat order for 300 car sets of truck material, following a similar order for 500 cars now in service.

Similarly, General Steel's designs for trucks in the rapid transit and subway fields, already in service from past orders, continue to bring additional business from this source. Recent orders from the New York City Transit Authority assure production in 1957 of truck material for the New York subway lines. Production of our new railroad specialties is concentrated at our Granite City plant.

During the past year General Steel has carried out a program of rehabilitation and capital investment at our plant in Avonmore, Pa., formerly National Roll & Foundry Co., which we bought in December, 1955. That program is almost completed and, with improvements at Avonmore now representing approximately $1 million, we expect the plant to take its place as an active contributor to our corporation's earnings. The National Roll division will continue its main line of production: industrial steel castings and iron and steel rolls for forming metals.

One-piece integral cast steel beds for steam locomotives—the chief product upon which the corporation's early reputation in the railroad field was built during the great days of steam in America—have, despite the almost complete dieselization of domestic railroads, by no means disappeared from our production. Demand from other parts of the world, where steam is economically practical, continue at a high rate, and our foreign business is maintaining a very satisfactory level. Before production was completed last year on a large order for steam locomotive beds and trucks for the South African Railways, we received a repeat order from South Africa for similar castings including 124 locomotive beds. In the light of the substantial premium which a customer at such a distance must pay for our cast steel beds (they are shipped first to Europe for assembly into locomotives, then reshipped to South Africa), these orders are encouraging testimony to the worldwide acceptance of our products.

In the industrial field, the major manufacturers of steam generating equipment have experienced a high level of activity during the year, and this in turn has brought new business to General Steel, since with industrial production concentrated at our Eddystone, Pa., plant, we are the world's leading producer of large, special alloy castings for this high pressure equipment. Future indications are for increased activity in this area. We expect that 1957 will bring an expanded emphasis upon our steel castings for earth moving and power shovel equipment, due in part to the great impetus provided by the Federal Highway building program. Through our sales and research efforts, other areas of industrial uses for steel castings, particularly those requiring a high degree of precision, are expected to open new markets for our industrial castings production.

Financially, sales and earnings are substantially increased for 1956, compared with the previous year. General Steel has continued to benefit from the program of debt reduction and simplification of capital structure which was completed in 1955 with the retirement of the last of the preferred stock. Only stock now outstanding are 540,000 shares of common, on which the corporation paid dividends totaling $2.10 per share in 1956, as compared with $1.80 per share in 1955. General Steel sold 67,799 shares of common in a public offering last March and has been listed on the New York Stock Exchange since September.

FRANKLIN P. WILLIAMS

President, S. S. Kresge Company

We are looking forward to 1957 with a great deal of confidence. The general business conditions throughout the country should be good, especially in our general area where the auto and parts industry promise to show good improvement over the lag that occurred in 1956. Forecasts indicate we will have high employment, personal income will be at record levels and the impetus of the capital building program, which was so strong in 1956, will carry through 1957. Although home building will be below 1956 levels, spending for defense, roads and schools will be strong.

F. P. Williams

A great deal has been accomplished in modernizing our existing stores and adding new units to our chain. It is anticipated the work we have done over the past two years will show up in our sales and profit this year. 1957 will show continued emphasis on this program. Our stores will provide an improved shopping atmosphere with emphasis on convenience for shopping. Fixtures have been designed to produce the greatest productive selling space per square foot of selling area.

The rapidly increasing capacity of industry will offer the retail industry an increased supply of merchandise that will permit accelerated promotional selling effort. Although competition will be stronger, the over-all increase in personal income will permit favorable sales comparisons for aggressive merchants.

We anticipate our intensified organization training program, instigated in early 1956, will provide better service and improved merchandise efficiency. The personal contact between store and customer, which is so important in both conventional and check-out operation, remains one of our greatest needs for customer acceptance.

No doubt the cost of operation will continue to increase and threaten still further our profit margins. Productivity per employee work hour must be increased through intelligent planning and delegation of work. The results for 1957 will depend on the increased volume we are able to obtain through strong merchandising and our ability to improve the productivity of our organizations in order to offset the constant increase in our cost of doing business.

LANGBOURNE M. WILLIAMS

President, Freeport Sulphur Company

The U. S. sulphur industry had a record year in 1956. Production and consumption both reached new highs and exports held near the peak of the past few years. This was the third consecutive year in which production and shipments of sulphur by domestic producers attained new highs, a condition attributable to the versatility of sulphur and to the active state of the economy.

L. M. Williams

Total production of sulphur from all sources increased to an estimated 7,875,000 long tons, or 825,000 tons more than in 1955.

The largest part of the new production came from the salt dome deposits of Louisiana and Texas. These deposits, which are mined by the Frasch hot water process, produced an estimated 6,450,000 tons compared with 5,750,000 tons in 1955. Of the balance of the supply, 500,000 tons represented sulphur recovered from gases, 425,000 tons sulphur contained in pyrites, and 500,000 tons sulphur in various forms from other sources.

Consumption of sulphur in the United States was estimated at 5,900,000 tons compared with 5,650,000 tons in the previous year, and exports were expected to equal the 1,600,000 tons shipped in 1955.

In spite of the greater demand for sulphur during the year, little change occurred in the use pattern by industries. About 80% of the mineral consumed was converted into sulphuric acid and the remainder used in elemental form or in other compounds. In one form or another sulphur is used to produce fertilizers, paper, chemicals, steel, gasoline, rubber, textiles, paints and many other necessities.

There were 13 Frasch process mines operating during the greater part of the year. Texas Gulf Sulphur Company, the largest producer, operated three in Texas; Freeport Sulphur Company, four in Louisiana and one in Texas; Jefferson Lake Sulphur Company, two in Texas and one in Louisiana; and Duval Sulphur and Potash Company and Standard Sulphur Company one each in Texas. In November, Freeport closed its small Nash mine in Texas.

Two new Frasch process mines were under development in 1956 and plans were announced to mine an additional new deposit.

Those being developed are the Lake Pelto property of Freeport and the Fannett dome of Texas Gulf. The former is located in the shallow waters of the Louisiana tidelands about 60 miles southwest of New Orleans, while the latter, on dry land, is near Beaumont, Texas.

The new deposit, known as Grand Isle—Block 18, lies off the coast of Louisiana beneath 45 feet of water six miles from the nearest land. The deposit, which is considered to be one of the most important sulphur discoveries of recent years, was discovered by Humble Oil and Refining Company. Upon approval by the Department of the Interior of the assignment of leases, Freeport will install and operate productive facilities. The Grand Isle project will be the first completely offshore sulphur mining operation ever undertaken.

Nine new sources of sulphur, other than Frasch process mines, came on stream in the United States during the year and productive capacity of six existing facilities was expanded.

Of the new projects, those using refinery gases as a source are Aurora Gasoline at Detroit, Mich.; Great Northern Oil, St. Paul, Minn.; Leonard Refining, Alma, Mich.; Montana Sulphur and Chemical, Billings, Mont.; and Tidewater Oil, Delaware City, Del. Those recovering sulphur from sour natural gas are J. L. Parker at Levelland, Texas; Signal Oil, Neiber Dome, Wyo.; Stanolind Oil & Gas, Odessa, Texas; and Phillips Chemical, Andrews County, Texas.

F. R. WILLS

President, General Acceptance Corporation

Unquestionably, the most talked about topic in the business world today is "tight money." This is a matter of extra-special concern in the consumer finance industry where money is the product we merchandise.

The current scarcity of "borrowable funds" did not suddenly dawn on the business horizon. It was preceded by a trend that offered subtle symptoms for management's diagnosis.

F. R. Wills

In 1956, one of the severest money periods in memory, our advance forecast of conditions prompted us to undertake capital financing as well as senior financing with leading institutional investors who have demonstrated their confidence in the securities of General Acceptance. As a result, throughout the past year, we were able to satisfy the needs of every qualified borrower.

"Tight money" has naturally affected us to a degree, not in terms of availability of funds but in terms of cost. Nevertheless, by always anticipating our requirements, we have avoided being placed in a position where urgency has pressured us into accepting unfavorable borrowing conditions.

It is true that our interest expenses have moved up. However, the careful application of these new borrowed funds to automobile sales financing and small loans operations has raised our earnings significantly.

General Acceptance entered 1957 geared for the best year yet. Our planning has been attuned to growth. We have a full complement of trained personnel at all levels of management. This is imperative to the healthy expansion of an enterprise which is strongly predicated on service. As already mentioned, we are comfortably situated financially.

A consumer finance company weighs the future in two ways. First is the prospect for increased business at existing offices. Second is the possibility of opening and purchasing additional offices.

To evaluate the nation's business outlook, there are available the analyses and estimations of scores of economists. Predictions call for continued full employment with increases in gross national product, capital expenditures, construction and consumer disposable income. Furthermore, the principal automobile manufacturers are confident enough to predict the second highest year yet for automobile production.

Our conclusion is that people will undoubtedly have the economic confidence in 1957 to borrow money to satisfy their family needs and personal wishes. Stimulating the demand for new cars are the forceful sales campaigns of the automobile producers and the rapid rate of final payments now coming due on new cars financed in recent years.

These prospects as applied to the specific locales where GAC has offices provide us with the expectation that the level of activity in 1957 will outpace 1956.

One other important factor in the GAC picture is our record of operating efficiency. This has enabled us to be successful in establishing new offices or acquiring others under conditions that our competitors might not consider profitably attractive.

In summary, every economic signal points to a good year for American industry in the overall, for the consumer finance field in general and for General Acceptance in particular.

HERBERT B. WOODMAN

President, Interchemical Corporation

Interchemical Corporation is a manufacturer of chemical coatings such as printing inks for packages and publications, industrial finishes, textile colors and others. These are sold entirely to industry. In terms of what they provide consumers, however, they spell out more and better man-made colors in our surroundings, protection for our investment in factory-made equipment for the home and better communication by means of printed words, images and designs. These are important elements of the constantly-rising standard of living which we enjoy in America.


H. B. Woodman

Interchemical stands to suffer by any setback to American industries, as those we serve include such a large cross-section of the whole. The long-term prospect is excellent, however, as personal incomes continue to rise and American families enjoy a greater ability to satisfy their demands for the qualities Interchemical coatings provide factory-made products.

Interchemical is testifying to its faith in the future by a vigorous technical program to assure our customers that they are abreast of the latest developments in the chemical coatings field. Our factory and branch expansion program puts us in a position to meet the growing demands of industry for more and better technical coatings. These production facilities, and our corps of trained salesmen and service men, make it possible for us to take technological advances out of the laboratory and into the plants of customers in an efficient manner.

We do not feel that we are in a position to predict the short-range prospects for American industry. With the full employment of our growing population a matter of national policy, however, we anticipate a constantly-rising demand for Interchemical products at least over the next decade.

STANLEY WOODWARD

President, The Ruberoid Company

Since the outlook for the building industry is now somewhat obscure, predictions as to just how this industry will fare in 1957 should be tempered with caution.

Home building plays an important part in the economy of the building industry and if the current tightness in money continues for any length of time, it is reasonable to assume that housing starts in 1957 may fall below the 1956 level. Whether or not changes in Government fiscal policies, designed to stimulate home building, will occur, remains to be seen.


Stanley Woodward

Expenditures for the construction of commercial, institutional, and highway building may be greater than in 1956. Expenditures for home repairs and replacements in 1957 will probably break all previous records. These activities should afford productive markets for building materials.

It is unlikely that the building materials industry will boom in 1957, but all influencing factors seem to add up to a relatively good year.

WILLIAM P. WORTHINGTON

President, Home Life Insurance Company

As we enter 1957, there continue to be strong indications that it will be another peak year for our national economy. With production, employment and business activity at, or near, all-time highs, the upsurge in our American standard of living seems likely to continue without interruption. This, combined with strong population growth, will provide even greater markets for life insurance in 1957, particularly family life insurance.


Wm. P. Worthington

Over 103,000,000 Americans now own life insurance, and present ownership represents an average of $6,900 per family; yet, in terms of today's living costs and the substantial monthly income needed to keep families together, most families are still inadequately insured. And this continues to be true although more life insurance protection was put in force in 1956 than in any other year to date. Americans have only started toward bringing their life insurance protection to a level consistent with their current living requirements. Too many with "1957 model" incomes and automobiles still consider their "1947 model" insurance coverages to be adequate.

In general, the foundation of life insurance, which, of necessity, must adequately support the living standard of American families, now needs to be re-enforced and broadened if our present way of living is to be financially sound. A family has only two sources of income, either "man at work" or "dollars at work." Today "man at work" is providing a rate of income that gives Americans the highest standard of living in the world. But when the "man at work" dies prematurely or reaches retirement, "dollars at work" must take over. In these circumstances, the growing question facing countless families is whether there will be a sufficient number of "dollars at work" to prevent a catastrophic reduction in their standard of living.

Herein lie undreamed of opportunities for the life insurance business and the 400,000 people who are employed by it. For guaranteed income from life insurance continues to offer the most practical solution to this problem.

Through no other medium can relatively small portion of an individual's current earnings, set aside regularly, be transformed at death (however early) or retirement into an estate of sufficient size to meet today's living requirements.

For this reason, as our economy and living standards climb to new levels, so do opportunities for providing life insurance services. This is particularly true of planned family life insurance or "Planned Estates" as this company's service is called.

In 1956, "Fortune" Magazine described life insurance estate planning as one of America's new growth industries. This is simply a reflection of the times. Incomewise, millions of American families have been upgraded to a point where they now have the "materials" with which to build a sound insurance estate. This has made the field of insurance planning an exciting new area of career opportunity. The year 1957 should offer even greater challenges in this field and provide men now entering it an almost unlimited market for their skills and services.

WILLIAM F. WYMAN

President, Central Maine Power Company

At the end of 1956 Maine's business and industrial picture paralleled that generally reported for the nation as a whole and the northeast section in particular. With gains recorded in most major classifications offsetting losses in others, it would appear that the long postwar boom period may level off somewhat in 1957.


Wm. F. Wyman

According to information released by official State of Maine agencies, manufacturing gained 2.4% over 1955 and non-farm employment was up 1.5%. Central Maine Power Company sales to industrial customers increased 5.5% with gains recorded in the fourth quarter being less than those made earlier in the year.

Products of Maine industry were valued at $1.2 billion in 1956. Estimates for 1957 anticipate a value of $1.5 billion. Over $57 million in plant expansion was reported in 1956 and an amount in excess of $50 million is similarly scheduled for 1957.

Consistently high production has been maintained by the State's important pulp and paper industries which have modernized and expanded plant facilities to meet ever growing demands for their products. New defense contracts assure several years of high-level production in shipbuilding and will doubtless aid other plants in the metal trades group. Some concern has been voiced by the latter group lest possible steel shortages force them to curtail private contracts.

While Maine has a total population of less than one million people, it is one of the largest shoe producers in the nation. The plants of this particular industry fit well into the small community economy characteristic of Maine. The largest employer in the State, the shoe industry enjoyed a good year in 1956 and expects an equally good 1957.

The important vacation business did a $5 million greater volume of business last year than it did in 1955 despite adverse weather conditions which prevailed most of the summer. This business should continue to increase in 1957.

As it is throughout much of the nation, the textile industry here remains uncertain. Until the international textile picture is stabilized it is difficult to predict the outlook locally, particularly in cottons and artificial fibers. Most woolen textiles, however, expect 1957 to bring increased demands for their products.

The joint efforts of State, civic and private groups in the field of industrial development culminated in the acquisition of 30 new industries during 1956. Their total employment potential is set at 3,447 people with an estimated annual payroll in excess of $11 million. About half of these industries located in existing plants; the balance moved into new buildings.

During 1956 Central Maine Power Company, which supplies electricity to better than two-thirds of Maine's population, started heavy construction on a new steam-electric generating station on Cousins Island in Casco Bay near the State's largest population center, the Portland area. Two 44,000-kilowatt units are scheduled for installation here initially, the first to be ready late in 1957, the second in 1958. In total CMPCo expects to spend about $20 million in construction this year.

In the postwar years since 1945, to which we referred earlier, our Company's customers increased 37% while the kilowatt-hour output increased 102%. During this period domestic use climbed 158% while their average charge per kilowatt-hour decreased 26%.

Retail Distribution Lectures to Be Held At Harvard Univ.

New lecture series at Graduate School of Business Administration, established in honor of Mrs. Tobe Coller Davis, to develop interest in retail careers on part of top-level college graduates. Founders' Committee includes prominent trade leaders.

A new series of lectures, designed to develop interest in careers in retail distribution on the part of top-ranking men and women college graduates, is to be launched in February by the Graduate School of Business Administration at Harvard University in cooperation with a group of leading retailers known as the Founders' Committee of the Tobe Lectures in Retail Distribution.

This lecture series, established in honor of Mrs. Tobe Coller Davis, fashion and merchandising consultant known professionally as Tobe, will be integrated with the school's work in retail distribution. Present plans envisage the following steps:

(1) An initial series of six or seven lectures at the Graduate School of Business Administration at Harvard University, starting Feb. 7 and continuing through the spring term of 1957.

(2) Integration of this material and subsequent lectures in the fall of 1957 into a revised and amplified business school course in retail distribution.

(3) Distribution of the lectures, probably is pamphlet form, and case material created at Harvard to more than 75 schools of business and retailing throughout the United States. A number of these schools, it is expected, will use the basic Harvard teaching material amplified with their own material and so extend the influence of this program throughout the country.

(4) Subsequent publication of the lectures, first in a form for immediate use and later into permanent published books which can be used both by schools and by leading retail organizations for their own training courses.

(5) Establishment of a permanent committee of leading retailers to assist in the development of improved teaching material and to make such material more widely available both to schools and to retail organizations.

The Need for College Graduates

Joseph Eckhouse, Executive Head of Gimbel Brothers, New York, and Raymond C. Kramer, prominent merchandising authority and a director of several retail corporations, both emphasize the importance of attracting more top-level college graduates into the growing field of retailing and stated that the program was designed to make more students aware of today's interesting challenges in the field of retail enterprise.

The Lecture Series is under the direct supervision of Associate Professor Milton P. Brown of Harvard in cooperation with Professor Malcolm P. McNair, Lincoln Filene Professor of Retailing at the School.

Members of the Founders' Committee, in addition to Messrs. Eckhouse and Kramer, include Miss Dorothy Shaver, President, Lord & Taylor, New York; Stanley Marcus, President of Neiman-Marcus, Dallas; Adam L. Gimbel, President, Saks Fifth Avenue, New York; Molly Parnis Livingston, couturier; Edward W. Carter, President, Broadway Hale Stores, Los Angeles; Theodore Slesinger, Vice-President, Allied Stores Corp.; J. C. Struthers, Sears, Roebuck & Co.; Milton Biow, advertising executive and Chairman of the Board of The Biow Co., Inc.; Justus Lawrence and Ray Josephs, public relations consultants.

Announcement of the subscription of the initial funds for the project was made last year at the annual "Bosses' Dinner" given at the Hotel St. Regis by Tobe for leaders from the retailing industry, communications, business and the arts. Subsequently, it was decided to augment the original funds when studies indicated that a substantial need existed for the improvement of retail teaching at the undergraduate and graduate levels in schools and colleges throughout the country.

The announcement, made by the Harvard Graduate School of Business Administration and the Founders' Committee, said that the tentative list of speakers for the initial series included Harold D. Hodgkinson, General Manager of Filene's, Boston; Wheelock Bingham, President of R. H. Macy & Co., Inc.; John Lebor, Vice-President of Federated Department Stores, Inc.; Lansing Shield, President of Grand Union Co.; Sidney Solomon, President of Abraham & Straus, Brooklyn; and Victor Gruen, architect and designer of many of the country's leading shopping centers. It is also expected that Tobe herself will appear at some point in this program to discuss the growing significance of fashion in American business.

Continued from page 19

Federal Budget for Fiscal 1958

a self-liquidating trust fund and are not in the budget totals.

Revenue Policy

It is my firm belief that tax rates are still too high and that we should look forward to further tax reductions as soon as they can be accomplished within a sound budget policy. Reductions in tax rates would give relief to taxpayers and would also release funds for the activity and investment necessary for sustained economic growth through private initiative. However, the reduction of tax rates must give way under present circumstances to the cost of meeting our urgent national responsibilities.

For the present, therefore, I ask for continuation for another year of the existing excise tax rates on tobacco, liquor, and automobiles, which, under present law, would be reduced next April 1. I must also recommend that the present corporate tax rates be continued for another year. It would be neither fair nor appropriate to allow excise and corporate tax reductions to be made at a time when a general tax reduction cannot be undertaken.

In the area of taxation, I am especially interested in the problems of small business. Last August the Cabinet Committee on Small Business made a series of carefully considered recommendations in this field. Some relief in the tax burden affecting small business, as recommended by that committee, which will give help with a minimum loss of revenue should have early consideration by the Congress. Any changes involving substantial loss of revenue should be considered at a later time when a general tax reduction is possible.

The present estimates of budget receipts for 1958 are based on the assumption that the Nation will continue to have a high level of business activity with increasing national income, and that the present tax rates will be continued. They are the best estimates we can make at this time, but, since they relate to a period six to 18 months away, significant changes may take place before the fiscal year 1958 is ended.

Debt Policy

The budget surplus for the fiscal year 1956 of $1.6 billion was used to reduce the public debt. This budget provides for further reductions in the public debt for the current fiscal year and for the fiscal year 1958.

The successive reductions in the debt from 1956 through 1958 are modest in relation to its total size. Nevertheless, I hope that these reductions, plus the collection of corporation tax payments on a more nearly current basis (as provided by the Internal Revenue Code of 1954), will make it unnecessary to ask the Congress again for a temporary increase in the legal limit of $275 billion to cover seasonal borrowing during the coming fiscal year.

The reduction in the public debt in the fiscal year 1957 is estimated to be larger than the budget surplus for that year, mainly because it is anticipated that some expenditures during the year can be financed by drawing down the amount of cash the Government has on hand.

For the fiscal year 1958, the reduction in the public debt will not be as much as the budget surplus. This situation results primarily from the fact that, in the aggregate, the trust funds are expected to draw down the amount of uninvested cash held for them by the Treasury.

Receipts from and Payments to the Public

The restraint on inflationary pressures which will be exerted by the budget surplus in the fiscal year 1958 will be reinforced by net accumulations in the trust funds which the Government administers. These trust fund accumulations, such as those for highways and for old-age and survivors and disability insurance, are the excess of current receipts over current payments. They constitute reserves for future use which are invested in Government securities.

When the Government's budget transactions are consolidated with trust fund and other transactions to give a picture of the flow of money between the public and the Government as a whole, the receipts from the public are estimated to exceed payments to the public by $3 billion in the fiscal year 1958.

Budget Programs and Performance

By far the largest part of the budget for the coming fiscal year, 63%, will be devoted to maintaining and improving our own defenses and to strengthening the defenses and economies of other nations in the interest of collective security and world peace. Civil benefits will account for 24% of budget expenditures; interest, 10%; and all other operations, administration, and contingencies, 3%.

Protection, Including Collective Security

As a simple matter of self-preservation, we must maintain our own strength and promote world stability by helping to build up the strength of friendly nations. At the same time, we must actively advance our other efforts for lasting peace and inform the world in all appropriate ways of our peaceful aims.

The new and more powerful weapons which are being delivered to our Armed Forces in increasing quantities and varieties are much more costly to produce, operate, and maintain than the weapons they are replacing. Furthermore, we are now engaged in the development of a whole new family of even more advanced weapons for all the services. Large expenditures will be required to bring these weapons into use. During the transition, we must continue to purchase enough of the current types to preserve our readiness until the effectiveness of the advanced weapons is demonstrated in tests. Despite these upward pressures on expenditures, future defense costs must be held to tolerable levels. Effective action must be taken to improve efficiency and to maintain a proper balance between expenditures for future military strength and expenditures for current readiness.

The introduction of new equipment and weapons with vastly greater combat capability is also having a powerful impact on concepts of military strategy, tactics, and organization. The combat power of our divisions, wings, and warships has increased to such an extent that it is no longer valid to measure military power in terms of the number of such units.

I have given careful consideration to the many complex factors which enter into the development of a well-balanced military structure. I am convinced that the defense programs and funds for their support as recommended in this budget provide a wise and reasonable degree of protection for the Nation.

Our nuclear weapons and our ability to employ them constitute the most effective deterrent to an attack on the free nations. We shall continue to expand our nuclear arsenal until an agreement has been reached for reduction and regulation of armaments under safeguarded inspection guaranties.

At the same time, we are increasing the portion of the production of fissionable materials allocated to peaceful uses at home and abroad and we look forward to the day when all production may be used for peaceful purposes. This budget provides for increased effort on power reactor development and on new uses of atomic energy in biology, medicine, agriculture, and industry. It will also make possible greater sharing of our peaceful atomic energy developments with other nations through the atoms-for-peace program.

World events continue to demonstrate the value of our programs of mutual assistance. Continued assistance, both military and economic, to friendly nations will provide the essential margin beyond their own resources needed to support and strengthen their defenses and their economies. The intensified worldwide conflict of ideas also requires a further increase in our programs of international information.

Civil Benefits

During the past four years, the Government has acted affirmatively to advance the everyday well-being of our people by helping to improve their economic opportunities, helping to provide safeguards against economic and physical hazards, and helping to build needed public assets. The Government's leadership in assisting the people to satisfy their own needs has been so exercised that steady progress has taken place without paternalistic interference.

In the fiscal year 1958 we shall continue to move forward with many civil benefit programs already established by law.

Agriculture and Transportation

To aid agriculture in its adjustments to new technologies and to changed world production and consumption patterns, the soil bank program will help reduce the production of surplus crops. Additional marketing research and service activities will develop new markets and new uses for our farm products. Watershed protection, aid to low-income farmers, and assistance in overcoming the problems of drought, wind erosion, and floods will be expanded.

The Federal Government is assisting the States and private enterprise to make major advances in our transportation system. Traffic control on our airways is being continually improved as new equipment is developed and becomes available. Orderly replacement by private shipping lines of the merchant ships built during World War II is underway. Through grants paid from the highway trust fund, the States, in partnership with the Federal Government, are beginning a 13-year program to complete construction of the Interstate Highway System.

Under the urban renewal program, which combines Federal, local, and private efforts, 41 urban renewal projects will have been completed by the close of the fiscal year 1958, and 531 more will be in various stages of planning or construction. Private financing of housing for military families, elderly families, cooperatives, and other groups having special difficulties in obtaining homes will be encouraged by special mortgage insurance and mortgage purchase programs.

Over the three-year period, 1955 through 1957, nearly 400 new water-resource projects for flood control, navigation, irrigation, power, and water supply will have been started and about one-half of these projects will still be under construction in 1958. Because of the need for continued and orderly development of our resources, I recommend that construction be started at a modest rate in 1958 on some new projects for which planning is well advanced. Funds for initiating immediately the planning of new public works projects which the Congress is expected to authorize are also included in this budget.

Increased expenditures will be made for sound programs of health research and grants for hospitals, clinics, and diagnostic and rehabilitation centers.

* * *

Interest

Expenditures for interest are estimated to rise $100 million to $7.4 billion in the fiscal year 1958, despite reductions in the public debt in 1956, 1957, and 1958. The increase in interest charges is due to refinancing securities maturing during the coming year at the higher rates of interest which reflect the heavy demand for credit and capital throughout our prosperous economy.

* * *

Allowance for Contingencies

Sound budgeting requires that some general provision be made for contingencies which may arise in the coming period. This is especially important today, in view of uncertain world conditions. The Congress is not being asked to appropriate for purposes not known. This item makes allowance in the budget totals for probable future requests, including those to cover the cost of some legislative proposals for which the timing of expenditures is uncertain. As the needs arise, and as new legislation is passed, a specific request for funds will be made in each case. The amount allowed for expenditures is $400 million, slightly over one-half of 1% of total budget expenditures estimated for 1958.

Legislative Program

This year I discussed only a few of the administration's legislative recommendations in the State of the Union message. Therefore, this part of the budget message is devoted to a discussion of other major proposals for legislation on which I recommend that the Congress take action during the present session. The legislative program is one on which the Congress and the executive agencies should be able to work together successfully.

In the course of the next few months the administration will recommend to the Congress a number of important legislative proposals. In the immediate future, I shall forward a message emphasizing the urgency of enactment of an adequate program of Federal aid for school construction, and a message on my proposals for amendment of our immigration laws. In connection with the administration's proposals on education, this budget provides for the start of a four-year program of aid for school construction.

Schools, Health & Welfare

Two areas need earnest and prompt attention with a view to determining whether new national policies should be adopted in the light of reports and recommendations now pending in the Congress. These are numerous detailed recommendations of the second Hoover Commission which the committees were unable to consider prior to adjournment of the 84th Congress and the proposals made by the Advisory Committee on Transport Policy and Organization. Legislation to carry out the recommendations of the Committee was the subject of hearings during the last Congress. Because of the importance of strengthening our transportation system, these hearings should be completed in the present session. Proposals for legislation will again be submitted by the Secretary of Commerce.

Substantial budget increases are recommended for existing activities which will improve the health of the American people. The Congress is also urged to enact legislation under which the Federal Government can help the medical and dental schools to build more and better teaching, as well as research, facilities to prevent the already acute shortage of trained medical manpower from becoming critical. It is also time to enact the necessary statutory basis for expansion and improvement of voluntary health insurance plans under which smaller insurance companies and nonprofit associations could pool their resources and experience.

In the welfare field, additional funds are likewise provided in the budget, and the Congress is urged to enact a new program of grants to the States to help fight juvenile delinquency.

Social Security & Wages

In recent years, a succession of legislative enactment has moved a long way toward the goal of universal social security coverage,

Budget Receipts*

(Fiscal years. In billions)

	1956 actual	1957 estimate	1958 estimate
Individual income taxes	$35.3	$38.5	$41.0
Corporation income taxes	21.3	21.4	22.0
Excise taxes	10.0	9.2	8.9
Other taxes	2.2	2.5	2.6
Miscellaneous receipts	3.0	3.0	3.3
Refunds of receipts (—)	—3.7	—3.9	—4.2
Total	68.1	70.6	73.6

*Net of transfers to trust funds.

Federal Government Receipts From and Payments to the Public

(Fiscal years. In billions)

	1956 actual	1957 estimate	1958 estimate
Receipts from the public	$77.1	$81.7	$85.9
Payments to the public	72.6	78.2	82.9
Excess of receipts from the public	4.5	3.5	3.0

Resumé of the Budget

(Fiscal years. In billions)

	1953 actual	1954 actual	1955 actual	1956 actual	1957 estimate	1958 estimate
New obligational authority:						
Under existing legislation	$80.3	$62.8	$57.1	$63.2	$69.7	$64.7
Under proposed legislation	......	......	......	......	0.8	8.6
Total	80.3	62.8	57.1	63.2	70.5	73.3
Budget receipts:						
Under existing legislation	64.8	64.7	60.4	68.1	70.4	71.3
Under proposed legislation	......	......	......	......	0.2	2.3
Total	64.8	64.7	60.4	68.1	70.6	73.6
Budget expenditures:						
Under existing legislation	74.3	67.8	64.6	66.5	68.6	70.1
Under proposed legislation	......	......	......	......	0.3	1.7
Total	74.3	67.8	64.6	66.5	68.9	71.8
Budget surplus (+) or deficit(—)	—9.4	—3.1	—4.2	+1.6	+1.7	+1.8
Public debt at close of year	266.1	271.3	274.4	272.8	270.6	269.2
Balances of appropriations carried forward at end of year	78.4	67.8	52.1	46.0	46.3	47.3

but there are a number of collateral steps which will add much to the meaning of our social security system as a whole. In part, these steps can be taken by budgetary action, for example, by giving particular attention to the needs of the rapidly increasing number of older persons in our society. Other steps will require legislation. First, the unemployment insurance system should be extended and improved. Similarly, congressional action is recommended to extend the Fair Labor Standards Act to additional workers. The Secretary of Labor will make recommendations on this act when hearings are held by the committees of the Congress. The Federal eight-hour laws should be revised and brought up to date and legislation should be enacted to assure equal pay for equal work. A modest program of grants under which the States can increase their efforts to improve occupational safety should be initiated. Likewise, legislation should be enacted to require the registration of employee pension and welfare funds to protect the interests of beneficiaries.

Small Business Aid

Of particular importance are recommendations to protect and foster the initiative of the small businessman. The Small Business Act should be extended. In order that small business may have better opportunity to secure adequate financing, issues of securities up to $500 thousand should be exempted from the regular registration provisions of the Securities Act of 1933. Similarly, the Congress should enact legislation providing for notification to the Federal Government of proposed business mergers, and should amend the procedural provisions of the antitrust laws to faciliate their enforcement. Wage reporting for income tax and social security purposes should be consolidated and simplified. Other means of assisting small business will be discussed in the Economic Report.

I repeat my recommendation of last year for the prompt enactment of appropriate authority under which communities can be assisted in solving basic problems of persistent unemployment.

* * *

Post Office Deficit

We should not let another year go by without taking the necessary action to place the Post Office on a pay-as-you-go fiscal basis. The case for adjusting postal rates needs no further justification. It is supported by a vast majority of the general public as well as by most of the business community. The administration has demonstrated its capacity for improving the postal service, installing new and more efficient methods and equipment, and cutting costs in accordance with good business practice. The Congress should take the further action needed to reduce the huge postal deficit. Then the further improvements needed in equipment and facilities can be made so that the American people may receive the mail service they deserve and have the right to expect.

Interest Rate Change

Various agencies are being asked to review with the Congress the interest rates charged by the Government in connection with different kinds of loans, several of which have a fixed statutory maximum established when interest costs were much lower than today. It is desirable that there be more consistency and that more discretion be allowed in determining what going rates should be, dependent on the period of the loans and their conditions.

* * *

With respect to farm legislation, certain changes are being recommended in the corn program. Farmers who use all the wheat grown on their own farms for seed, feed, or food should be exempt from marketing quotas and penalties. The basic authority for disposal of surplus farm commodities for foreign currencies, title I of Public Law 480 of the 83d Congress, should be extended for one year and an additional $1 billion of authorization for losses under this title should be provided. Legislation should also be enacted authorizing the barter of nonstrategic Government-owned agricultural surpluses to the nations of Eastern Europe.

Natural Resources

The program of the administration in the field of natural resources is fully set forth in that section of the budget analysis. It will not be repeated here, except to indicate my continuing firm support of the necessary legislative action to enable Federal agencies to participate more fully with States, local governments, and private groups in the development of partnership resources projects. I urge once again the prompt enactment of legislation which will enable the Fryingpan-Arkansas multiple-purpose project to get underway in the fiscal year 1958.

I also recommend prompt action by the Congress to decide how the Niagara power project can best be developed.

In returning the Harris-Fulbright natural gas bill to the 84th Congress without my approval, I stated that legislation conforming to the basic objectives of that bill was needed. I am still of that opinion. It is essential that consumers of natural gas be protected. We must endeavor to make sure that there will be continued exploration and development of adequate field supplies of gas, and that producers' sales prices are arrived at fairly and competitively. In this way, and with authority vested in the Federal Power Commission to regulate interstate pipelines as to the price at which gas may be charged as an item of cost in fixing their rates, the price to the public will be fair. Legislation freeing gas producers from public utility-type regulation is essential if the incentives to find and develop new supplies of gas are to be preserved and sales of gas to interstate markets are not to be discouraged to the detriment of both consumers and producers, as well as the national interest.

* * *

I recommend again that the Congress enact suitable legislation providing for home rule in the District of Columbia. Under any such system the citizens of the District should be authorized to elect local officials, to vote in Federal elections, and to have a delegate in the House of Representatives.

I also recommend the enactment of legislation admitting Hawaii into the Union as a State, and that, subject to area limitations and other safeguards for the conduct of defense activities so vitally necessary to our national security, statehood also be conferred upon Alaska.

Equal Rights for Women

The platforms of both major parties have advocated an amendment of the Constitution to insure equal rights for women. I believe that the Congress should make certain that women are not denied equal rights with men. Similarly, I believe that the Congress should propose a constitutional amendment lowering the voting age in Federal elections.

As has already been indicated in the State of the Union message, continuation of military and economic assistance to the free nations of the world is a keystone of the adminstration's efforts to promote peace, collective security, and well-being for all peoples. Essential complements of these assistance programs are steps to increase international trade and investment. Both can be materially advanced by taking the actions necessary to avoid unfair tax duplications on business conducted overseas and by the prompt enactment of legislation approving United States membership in the proposed Organization for Trade Cooperation. This administrative agency will greatly aid the orderly operation of existing arrangements governing multilateral trade to help prevent discrimination and restrictions against our foreign commerce.

Peaceful Atomic World Program

Although necessity forces us to keep ever in mind the destructive power of nuclear weapons, it is equally essential that we keep in mind the firm determination of the United States to share the fruits of its efforts to develop the peaceful uses for atomic energy. Seventy-two nations have now signed the charter of the International Atomic Energy Agency, which was established under the auspices of the United Nations. Prompt action by the Congress is needed to authorize full participation by the United States in the work of this agency. The United States has offered for distribution through this agency 5,000 kilograms of fissionable uranium 235 out of the 20,000 kilograms previously offered for atomic research and power uses in other nations, as part of our atoms-for-peace program.

The analysis of the budget discusses present programs for veterans. A special message recommending changes needed in these programs will be transmitted to the Congress.

The remaining items to which special attention should be directed are (1) authorization to the President to make awards for distinguished civilian achievement, (2) establishment of a Federal Advisory Commission on the Arts, (3) acquisition and maintenance of an official residence for the Vice-President, and (4) amendment of the Government Corporation Control Act to provide for budget and audit control over Government corporations which are authorized, directly or indirectly, to obtain or utilize Federal funds. It is also recommended that the Congress give further consideration to legislation which would place Government appropriations on an accrued expenditure basis.

* * *

Difficulties in Looking Ahead

It is always difficult to make plans and forecast expenditures a year or more in advance. This is particularly true when historic events are taking place in Eastern Europe, when United Nations forces are deployed in the Middle East, when uncertainties abound in other parts of the world, and when in our own land economic change is continuous. This budget has taken into account present conditions and developments which today appear most likely at home and abroad. It provides funds for all necessary Government activities on a reasonable scale, and efforts will continue to be made by every executive department and agency to improve efficiency and to maintain expenditures well within the budget estimates. It is a carefully balanced budget — balanced in its receipts and expenditures, balanced in its choice of programs. I consider it well adapted to the needs of the present and the future.

Summary of New Obligational Authority

Based on existing and proposed legislation

(Fiscal years, in millions)

Description—	1956 enacted	1957 estimate: Enacted	1957 estimate: Proposed for later transmission	1957 estimate: Total	1958 estimate: Recommended in this document	1958 estimate: Proposed for later transmission	1958 estimate: Total
Major national security	$35,903	$40,166	$200	$40,366	$38,772	$4,823	$43,609
International affairs and finance	2,123	2,231	2	2,233	510	1,950	2,460
Veterans' services and benefits	4,823	4,807	82	4,890	4,942	100	5,042
Labor and welfare	2,860	2,913	283	3,196	3,318	481	3,799
Agriculture & agricultural resources	3,310	5,059	27	5,086	4,767	25	4,792
Natural resources	1,213	1,351	40	1,391	1,476	83	1,559
Commerce and housing	4,526	3,329	662	3,992	2,165	626	2,791
General government	1,595	1,826	25	1,851	1,430	8	1,438
Interest	6,846	7,260	......	7,260	7,360	......	7,360
Allowance for contingencies	......	......	250	250	......	500	500
Total new obligational authority	63,198	68,952	1,572	70,524	64,741	8,600	73,341

Summary of Budget Expenditures

Based on existing and proposed legislation

(Fiscal years, in millions)

Description—	1956 actual: Gross expenditures	1956 actual: Applicable receipts*	1956 actual: Net expenditures	1957 estimate: Gross expenditures	1957 estimate: Applicable receipts*	1957 estimate: Net expenditures	1958 estimate: Gross expenditures	1958 estimate: Applicable receipts*	1958 estimate: Net expenditures
Major national security	$40,845	$204	$40,641	$41,303	$338	$40,965	$43,571	$236	$43,335
International affairs and finance	2,151	305	1,846	2,767	384	2,382	2,878	434	2,444
Veterans' services and benefits	4,804	48	4,756	4,905	55	4,851	5,035	57	5,027
Labor and welfare	2,778	2	2,776	3,035	3	3,032	3,542	4	3,538
Agriculture and agricultural resources	9,060	4,146	4,913	9,560	4,859	4,701	8,123	3,159	4,965
Natural resources	1,361	257	1,104	1,649	278	1,371	1,816	278	1,538
Commerce and housing	5,958	3,931	2,028	6,574	4,305	2,269	6,904	5,156	1,748
General government	1,633	4	1,629	1,873	3	1,870	1,455	3	1,451
Interest	6,846	......	6,846	7,250	......	7,250	7,360	......	7,360
Allowance for contingencies	....	......	......	200	......	200	400	......	400
Total budget expenditures	75,436	8,896	66,540	79,127	10,227	68,900	81,203	9,396	71,807

*Receipts of certain Government corporations, the postal service, and other revolving funds the receipts of which come primarily from outside the Government. These funds are listed in the respective chapters of part II as "Public enterprise funds."

Cashiers' Div. Elects

Myrvan P. Burns, of Bear, Stearns & Co., has been elected President of the Cashiers' Division, Association of Stock Exchange Firms, it has been announced. Mr. Burns succeeds George J. Miller, of Hallgarten & Company.

William F. Dolen, of Eisele & King, Libaire, Stout & Co., was elected first Vice-President of the Cashiers' Division; Joseph A. Costa, of L. F. Rothschild & Co., 2nd Vice-President; George B. Lawrence, of F. S. Smithers & Co., Treasurer, and Wilfred J. Morley, of Dreyfus & Co., Secretary.

Edward D. Walsh

Edward D. Walsh, member of the American Stock Exchange, passed away Jan. 10 at the age of 46. In the past he had been a partner in Brady, Baird & Garvin and had conducted his own investment firm.

San Francisco Div. Of Pacific Coast Exchange Elects

SAN FRANCISCO, Calif.—The annual meeting of the San Francisco Division of Pacific Coast Stock Exchange was held Jan. 16 for the election of Chairman of the Board, two members of the Governing Board to serve two years, and the election of a Nominating Committee to serve during the ensuing year.

William H. Agnew

William H. Agnew of Shuman, Agnew & Co., was re-elected Chairman of the Board to serve for one year. George W. Davis of Davis, Skaggs & Co., and Calvin E. Duncan of Calvin E. Duncan & Co. were elected members of the Governing Board.

In addition to Mr. Agnew, Chairman, Messrs. Richard P. Gross of Stone & Youngberg, Joseph A. Johnson of Carl W. Stern & Co., Inc., George J. Otto of Irving Lundborg & Co., and Ronald E. Kaehler, President of the San Francisco Division, are members of the Governing Board.

The exchange members elected the following to serve on the Nominating Committee for the current year: Ernest E. Blum of Brush, Slocumb & Co., Inc., Chairman; R. William Bias of Shuman, Agnew & Co.; Stanley R. Dickover of Mark C. Elworthy & Co.; M. J. Duncan of Calvin E. Duncan & Co.; Harry F. Flachs of Carl W. Stern & Co., Inc.; and Wm. V. Murphy of A. G. Becker & Co. Incorporated.

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

Oklahoma Gas & El. Co. 4½ Bonds Offered

A group of underwriters headed by Halsey, Stuart & Co., Inc., on Jan. 18 offered $20,000,000 of Oklahoma Gas & Electric Co. first mortgage 4½s bonds, due 1987, at a price of 101.155% and accrued interest to yield approximately 4.43%. The underwriters were awarded the bonds Jan. 17 on their bid of 100.22%.

The bonds may be redeemed by the company other than for sinking fund at prices ranging from 105.66% to 100%; for sinking fund purposes, they may be redeemed at prices beginning at 101.14%.

Net proceeds from the sale of the bonds will be used to pay part of the expenditures incurred and to be incurred under the company's construction program.

The Oklahoma company is an operating electric public utility furnishing electricity at retail to an estimated population of 1,000,000 in Oklahoma and western Arkansas. Included in the territory served are Oklahoma City, Muskogee and Enid in Oklahoma, and Fort Smith in Arkansas.

Chicago Analysts to Hear

CHICAGO, Ill.—John A. Barr, Chairman of the Board of Montgomery Ward & Co. will address the luncheon meeting of the Investment Analysts Society of Chicago to be held Jan. 24 in the Adams Room of the Midland Hotel.

Continued from page 18

Pitfalls in Statement Analysis

reported income of a business is not its true income in all cases. As an example, a manufacturing plant or piece of machinery may have cost $100,000 when purchased in 1935. Assuming its useful life at 25 years, then the depreciation charge against earnings under the straight line method is $4,000 per year. If the equipment is fully used up and must be replaced in 1960, the cost of replacement may be $250,000, against which the company has reserved only $100,000 from earnings. Thus the company has, in effect, failed to charge against earnings in prior years sufficient depreciation for replacement purposes. Funds retained in the business as a result of depreciation are rarely immediately invested in replacement assets, nor are they restricted for this purpose. If dividends have been liberal, they may have been based on fictitious earnings.

Conversely, fixed assets may decline in market value more than the depreciation schedule will reflect. A customer of ours recently sold a Loop office building for $1,100,000 whereas its depreciated cost on the company's balance sheet was $1,500,000. Thus, in the year of sale, a substantial nonrecurring loss was sustained. Stated in another way the net worth of the company had been over-stated prior to the sale of the building due to decline in its value. Previously, this office building was considered one of the most valuable assets in the business.

Use Interim Financial Statements

A third pitfall to avoid is the idea that the balance sheet remains unchanged after the credit has been extended. In today's fast moving economy, a creditor cannot rely on annual statements or audit reports to give him advance warning of difficulty. Things happen so fast that borrowers can get into distress before the year-end audit is available. Interim financial statements, therefore, are highly desirable, and where the credit extended is liberal in relation to working capital and net worth, then statements should be submitted on a monthly or quarterly basis. A cash budget will point up vividly the credit requirements of the borrower at its seasonal peaks and also will indicate when the borrower will be able to liquidate debt.

Usually musical instrument manufacturers and retailers will do 50% of their volume in the last four months of the calendar year. Thus, a balance sheet of a company in this field as of Jan. 31 will reflect a much more liquid condition that at July 31 or Aug. 31. A customer of ours in the music business had a current ratio of 3 to 1 at Dec. 31, 1955 with no bank debt outstanding. At July 30, 1956, its current ratio was 2 to 1 and its bank loan $600,000. From here on, however, receivables will be collected rapidly and the company is expected to show a strong cash position at the year-end, as it has been experiencing a very successful year of operations.

Going Beyond the Financial Statement

A fourth pitfall is this: A financial statement will reflect the past record of a company and its financial condition at a given time, but the competence of management and its resourcefulness in meeting change can only be determined by personal contact and investigation. Certainly a good credit man will make personal visits at least once a year to his customer's place of business. He should make a tour through the plant, observe its housekeeping, and discuss future prospects with the management. An able management team can take drastic steps to reduce burden and overhead and to meet competition, whereas superannuated management all too frequently complains about business conditions and is seemingly unable to arrest or to reverse an unprofitable trend.

If a company is dominated by a strong chief executive, particular attention should be given to the second group or level of management. We want to be sure that good executive personnel are being groomed to take over the reins of management in the future. If all policy decisions are made by the boss, then his subordinates will not develop in ability.

In analyzing a balance sheet, receivables usually stand out as one of the most liquid assets. And yet, if the receivables include a large amount of advances to officers or employees, or sums due from subsidiary companies, obviously these items should be classed as non-current assets. It is customary in the shoe business, in the music industry, and for tire manufacturers, to grant datings, that is, deferred or extended terms of payment. Obviously, a company which does grant datings will be less liquid than the company which sells on terms of 2% —10 days, net 30 or 60 days. Hence, the company which makes a practice of giving datings will probably require a greater amount of seasonal borrowings, as its receivables will not be as liquid as might have been expected.

It is also essential for the credit analyst to know whether the receivables represent installment sales and, if so, the terms—that is, the down-payment requirement and the maximum maturity of the installment contract. An analysis of the installment receivables reflecting accounts delinquent by related balances will show up clearly dangerous trends, particularly where a disproportionate amount consists of accounts past due over 60 days. The analysis of the past due accounts as to delinquent balances should also be applied to the charge or open accounts. Perhaps the annual appropriation for bad debts is insufficient to establish an adequate bad debt reserve based on the company's past loss experience. If this is so, the commercial loaning officer will not be too impressed by a condition reflecting cash and receivables almost equal to current liabilities.

It is said, generally speaking, that the average collection period should be no more than one-third greater than the net selling terms of the firm. Thus, if the company's terms are 2%-10 days, net 30 days, the average collection period should not exceed 40 days. Or if the terms are 2%-10 days, net 60 days, an 80-day collection period would not be out of line. If the collection period is greater than the established norm, then it must be assumed that a substantial amount of slow or uncollectible accounts are included in the total of gross receivables.

When we turn to inventories for analysis, we should be aware of the turnover into cost of sales. If a company should turn its inventories 4 times a year, but only obtains a 3-time turnover, then sales to inventory relationship is obviously out of line. Is this due to carrying too large a stock, including some obsolete items? If so, the inventory valuation may be subject to substantial write-downs. What proportions are represented by raw materials, by work in process, and by finished goods? If inventory, at the fiscal year-end, is equal to or is greater than net working capital, then our customer may be vulnerable, particularly if the inventories consist of volatile commodities, subject to sharp price swings. Despite the stabilizing influence of synthetic rubber, crude natural rubber this year has varied from a high of 46¢ per pound in January to a low of 26¢ in June and 33¢ presently. In 1951, hides (light native cows) dropped from 43¢ per pound to 15¢ per pound in just about a year.

The LIFO basis for valuing inventories has become increasingly popular in recent years. Let us not forget, though, that under LIFO, we tend to understate profits (before Federal income taxes, while prices are rising. Conversely, in a falling market, the LIFO method cushions losses, and thus profits are higher than would be the case under first-in, first-out. This, of course, is the reason for LIFO — to eliminate cyclical swings in profits due to sharp changes in prices of commodities. Obviously, if the LIFO reserve disappears in a falling market, your customer's inventory is not presently worth as much as previously; in fact, the company may be actually operating at a loss, were it not for LIFO.

While this is a very technical subject, still the credit analyst should have some understanding of how the LIFO basis of inventory valuation can operate to provide his borrower with a cushion against falling prices. Rapid turnover of inventories and consequent rapid replacement has made management aware of replacement costs and of the inaccuracies of charging inventory costs on a first-in, first-out basis. This undoubtedly is the reason for the popularity of LIFO—particularly, in its tax advantages in an inflationary period.

Viewing Debt and Contingency Reserves

Still another pitfall to beware of is the tendency to regard long-term or deferred debt as unimportant, except to the extent of current maturities. Where term debt looms fairly large and the ratio of total debt to net worth seems heavy, then the term loan agreement or indenture securing the funded debt should be carefully reviewed with competent legal counsel. Some term loan agreements require that current borrowings be liquidated in full for at least a 60-day period annually. Other agreements impose a limitation on current liabilities, either in dollar amount or as a percentage of current assets. Most agreements have a fixed asset limitation which is related to depreciation, and usually also include a working capital stop or minimum. Violations of these restrictions or limitations constitute a default, in which event the holder of the term loan can accelerate his maturities and declare his entire loan immediately payable. If you, as a short-term lender, have 3-month or 6-month maturities on your notes, then you may have a loan still not due by its terms, while the term lender may have taken steps to enforce the liquidation of his debt now in default.

Still another balance sheet item deserving of careful investigation is the reserve for contingencies. Is this merely a segregation of earned surplus, or may it be actually required to offset inventory write-downs, Federal tax deficiencies, or other liabilities of the borrowing company? It is helpful to know how recently your borrower has received clearance on his Federal income tax return. If several tax years are still open, possibly the deductions for advertising, depreciation, or entertainment and travel may be subject to question by the Internal Revenue Bureau. If the company's stock is closely held, earned surplus large, and dividends low in relation to earnings, then a Section 102 case involving an unreasonable withholding of earnings may be in the offing. Usually companies subject to Section 102 penalties, however, are so liquid that current bank borrowings are not required.

Conclusion

In conclusion, after we have attempted to satisfy ourselves that our potential borrower is in a sound financial condition and that the management is competent, let us remember that the ultimate test is the ability of the company to survive and to earn a satisfactory profit in normal times. A shaky credit can become a prime credit through retention of earnings over a period of years. Likewise, a sound balance sheet condition can be seriously impaired by continuing losses, excessive dividends, or disproportionately high salaries to officers. In our free economy, a company which is showing good earnings can be expected to maintain its competitive position. If its volume of business is expanding, obviously a substantial portion of net income should be retained and added to net worth. A good earning record will enable a growth company to go into the equity market for its capital needs, thereby reducing the necessity of relying heavily or steadily on short-term bank credit.

A good aggressive credit officer cannot be expected to have a perfect batting average, for if he has no losses, then he must be turning down some desirable business. On the other hand, he cannot afford to make more than a very few slow or bad loans, for workouts are costly and time consuming. A large loss on one bad credit can offset the income derived from a great number of sound seasonal loans which are repaid according to schedule. The bank officer who is well qualified in credit analysis will counsel his customres wisely. He can thus be invaluable in helping the borrower to maintain his business in sound financial condition. Good credit officers are a necessity to the commercial bank which follows an aggressive lending policy in an effort to enable its customers to fulfill an economic need which is beneficial to the community. Responsibility for the training and development of superior credit officers rests squarely on the shoulders of the top executives of the bank.

Banks for Cooperatives Offer Debentures

The 13 Banks for Cooperatives on Jan. 22 offered publicly $40,000,000 of seven-month consolidated collateral trust debentures, according to their fiscal agent, John T. Knox. The debentures are being sold by their fiscal agent with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 3⅞% per annum. Interest is payable with the principal at maturity. Dated Feb. 1, 1957, the debentures will mature Sept. 3, 1957.

Proceeds from the sale of these consolidated debentures will be used to repay commercial bank borrowings and for lending operations.

Two With Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Jane V. Deal and Nettie C. Rapp have become associated with the Marshall Company, 30 North La Salle Street.

Brandi Elected

The election of Frederic H. Brandi to the Executive Committee of Colgate-Palmolive Company, has been announced by Edward H. Little, Chairman of the Board.

Frederic H. Brandi

Mr. Brandi, President of Dillon, Read & Co., Inc., has been a director of Colgate-Palmolive Company since 1954.

The Executive Committee includes: Mr. Little, Chairman; Henry A. Colgate; S. Bayard Colgate; Walter G. Dunnington; Charles S. Pearce; Stuart Sherman; and William L. Sims, II.

Mr. Brandi is also a director of CIT Financial Corp.; Interchemical Corporation; The National Cash Register Company; Strong Cobb & Co., Inc.; and Union Oil Company of California. He is President and director of Greggton Oil Corporation, and a Vice-President and director of Nassau Associates, Inc.

Blood Donor Drive

Governors of the New York Stock Exchange led a mass blood donation in the securities industry at 10 a.m., Monday, Jan. 21, at a Red Cross Bloodmobile at Federal Hall, Nassau and Pine Street. First in line to donate blood was James Crane Kellogg III, Chairman of the Board of Governors of the exchange, and Governors Elmer H. Bloch, C. Peabody Mohun, Alexander R. Piper and Samuel W. West.

David Scott Foster, who is head of the Blood Donor Drive in the securities industry and a member and former Vice-Chairman of the exchange, was also on hand to contribute to the blood bank.

With Reynolds & Co.

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock Exchange and other leading exchanges, announces that William B. Sheeler is now associated with their Philadelphia office, 1526 Chestnut Street, as a registered representative.

Mr. Sheeler was formerly Secretary of the Enterprise Manufacturing Company which was merged last August with the Silex Company. He attended Haverford School, Haverford, Pa. and graduated from Syracuse University. During World War II Mr. Sheeler served with the Army Signal Corps in the Pacific Theatre.

ASE 5 and 20 Club

Harold J. Brown, of Brown, Kiernan & Co., has been elected President of the American Stock Exchange Five and Twenty Club. He succeeds Rulley Koerner who held that post during 1956. The club is composed of regular exchange members who have held membership for 25 or more years.

In the securities field since 1914, Mr. Brown was formerly a partner of H. F. McConnell & Co. He acquired his exchange membership in May 1925.

Other officers elected were Leonard C. Greene, Vice-President; Jacob Feinstein, Treasurer and Raymond A. Bau, Secretary.

In Nuveen Trading Dept.

CHICAGO, Ill. — Melrose B. O'Rourke has become a member in Chicago of the Trading Department of John Nuveen & Co., 135 South La Salle Street, according to C. W. Laing, President. For the last year, Mr. O'Rourke has been a sales representative covering the Cleveland area.

Continued from page 3

Serious Consequences Ahead For U. S. Funds in Canada

ing whether, or what proportion of, income earned but not received from abroad should be treated as though it were actually received, as well as determining whether profits earned by a foreign corporation are allocable and belong to stockholders, who happen to reside on the other side of the political border of the firm's situs in question, and at the same time perseveringly contend that the foreign corporation, for American tax purposes, is an American "permanent business establishment," which the firm's country by its very tax action denies?

It is amazing that so far the Canadian Government has not vigorously protested the unilateral interpretation of the tax treaty and the principle adopted by our Internal Revenue Service which results in by-passing the Canadian Government.

Keeping Capital From Leaving?

More serious than that it is more amazing in that, in effect, in order to do, and continue to decide this sort of thing, we might be started on the path of achieving foreign exchange and capital-flow restrictionism, which we dislike and try to dissuade foreign countries from doing. Most foreign countries openly operate via exchange control, import and export licensing, and strict control over their capital transfers abroad. We, too, even if inadvertent, may soon be stopping capital from leaving this country, via the Internal Revenue Service—instead of through an exchange control procedure—on tax assessment.

Looking alone at our trans-border operations of American ownership in Canadian firms, this administrative quasi-judicial tax determination of income earned abroad by American stockholders and the companies receiving such investments, can be expected—if permitted—to damage good economic relationships, establish a dangerous precedent, discourage the flow of U. S. funds across the border, cause dissension between two adjacent countries possessing no armed border, invite economic retaliation, raise doubt despite clear tax treaty provisions as to which country has the right to levy current taxes where U. S. ownership is involved, and generate other hazzards for trans-border business-investment operations. Is this diagnosis of probable results too dissimilar from what has taken place elsewhere as a result of exchange control laws? The methods and techniques may differ, but, it is submitted, the net effect may be the same.

What This Leads To

How far our administrative tax tribunal should go in determining the merits and purposes of foreign investments, in the absence of such a compelling argument as aiding or abetting an actual or potential enemy, is a decision that we and the countries we enjoy tax treaty relationships with must face. It is somewhat easier not to allow any investment outflow than to discriminate in a myriad of ways for a variety of reasons. The procedure of questioning foreign investments might lead many to seek permission first, and the initiative and productiveness of capital flows might slow down, and, perhaps, stagnate. In this case we find the U. S., for example, is ruling on what constitutes a "natural market" and an "undeveloped market," and, importantly, on typical buyers of risk-mining bonds and/or other securities. Where do you stop when you look for "attenuated subtleties"?

At a time when a sound international balance of payments for all free countries is urgently necessary for cold-war purposes, it would be, the writer believes, most unwise to act unilaterally on foreign earnings still not repatriated.

Development of the Case

To see how the case started one must go back to February, 1939, when Steep Rock Iron Mines Ltd., a Canadian corporation, was organized to exploit a known deposit of iron ore at the bottom of Steep Rock Lake, about 12 miles long, 350 feet deep, and located in the wilderness country of Western Ontario. Until 1952, when Mr. Eaton and his investment banking associates were approached, Steep Rock's substantial investment was unsuccessful and it was considered an impossible engineering job. Because the ore's quality and quantity was not established and it was not certain the lake could be successfully drained, private capital alone was not expected to be forthcoming.

Canadian born Cleveland industrialist, investment banker Eaton, Chairman of the Cheseapeake and Ohio Railway, and a large stockholder in Otis & Co., a then leading investment banking firm, through a series of then—and since — widely known financing arrangements for this risk-mining venture was able to secure private debenture and share financing of over $2 million, and United States and Canadian Government loans of $10,000,000. The Government of Canada and the Province of Ontario provided $5,100,000 for power and transportation facilities, and the American War Production Board's necessary certificate enabled the RFC, after careful scrutiny, to lend $5,000,000 to Steep Rock in the summer of 1943. Both governments considered this potential, internally supplied, and safe from enemy submarines, iron ore to be a most valuable railway-transportable, war-time asset.

Despite having undertaken $2,-250,000 through Otis & Co. for the stupendous engineering venture, Mr. Eaton was persuaded to incorporate a sales company, Premium Iron Ores Ltd., in the Province of Ontario, instead of organizing an American sales firm, which occurred in November, 1942. This was by arrangement and agreement with the Canadian Government, though the Canadian Government decreed that the war did not allow tapping investors' money in the firm's country.

Premium's Purpose and Function

As sales agent, Premium undertook to sell 10,000,000 tons of ore, provide transportation, and raise up to a million dollars, if this was required, for Steep Rock. In return, partly, Premium received a 2% commission on all sales made by Steep Rock, whether made by Premium or not, and 1,437,500 shares of Steep Rock at one cent per share.

The Canadian Government, at the time Premium was incorporated, had formally agreed to exempt Premium from any capital gains tax and excess profits tax, and also agreed to exempt Premium from income tax for a period of three year from the date ore shipments commenced, which took place in 1944.

The Premium agreement with Steep Rock and the financing was widely known as: (1) the agreement between Steep Rock and Premium was filed with U. S. Government; (2) filed with the Toronto Stock Exchange and its members; (3) published in the newspapers at the time; (4) SEC gave the green light on the registration statement in March, 1943, for debentures and shares of Steep Rock, and the agreement with Premium had been signed January 15, 1943; (5) Canadian Commissioner of Income Tax approved a no tax ruling on shares sold to Premium; (6) it was circulated to all prospective purchasers and Steep Rock stockholders.

Source of U. S. Tax Suit

The 1,437,500 shares are, in part, the locus for the U. S. Internal Revenue's tax suit against, first, Premium, purportedly for having obtained profits on these shares while being a "permanently established business" in the United States, and, a year and a half later, against Messrs. Eaton and Daley on the claim that these shares were contractually committed to them, and that it was theirs and would so be, whether Premium existed or not. If Premium is found to have conducted business in U. S. through a permanent establishment because of large stockholders' activities on behalf of Premium, then the Tax Court can approve the taxes on Premium's commissions received as a result of Steep Rock's ore sales. This and the difference between the one cent paid for each of the 1,437,500 shares and its market value as divined by the Internal Revenue Service constitutes the primary source of income from which stems the tax suit against Premium, Eaton and Daley.

As to whether Premium actually conducted business in the United States, either it must be shown Eaton and/or Daley were employees with general authority to act on behalf of Premium, or, as Premium submits, the mere receipt of a license to do business in the State of Ohio does not mean business was actually done. Premium goes on to state that it reported annually, 1944-1949 inclusive, to the Secretary of the State of Ohio, the following information: no office actually opened, transacted no business, gave address at Otis & Co., no funds in any U. S. bank account, and no assets other than some securities held for its account, no officer or director or employee, no telephone or office listing, and no selling expense in U. S. Underwriting expenses were paid for by Premium, through Canadian Foreign Exchange Control Board, for Otis & Co. activities performed for Premium.

So far as the writer can establish as one major point, not controverted by either side, is that the Canadian Government still continues to construe Premium as a Canadian corporation and has, in fact, commencing with 1947, the first year Premium became liable for Canadian income tax, and up to the year 1955, collected from the company $695,000. Nor has the Canadian Government reversed itself on its tax treatment of the firm—as *not* having a "permanent business establishment" in the United States.

The discussion of some of the diametrically opposed stands by the petitioners—Consolidated Premium Iron Ores Ltd., the Canadian corporation, Cyrus S. Eaton, Director and Chairman of the Board of Directors of Steep Rock, and large stockholder of Premium, William R. Daley, President of Otis & Co. and large stockholder of Premium, and Mrs. F. Cassie Daley, wife of Mr. Daley, and the Respondent—the Commissioner of Internal Revenue—should indicate the serious implications for Canada, far beyond the particular Canadian Company and the individuals concerned, and far beyond the sum of the taxes involved; about $4,000,000.

The claimed deficiencies and penalties against Premium for 1943-1949, inclusive, for income taxes and profit taxes and failure to file tax returns [note: the Canadian Government's taxes commenced 1947, after the exemption period which began 1944] amounts to $2,598,900.70. The demanded deficiency for Cyrus S. Eaton is $1,572,234.79 for the year 1943 only; and that against Wm. R. Daley and F. Cassie Daley is $388,-283.19.

Looking back we see that the U. S. Government is attempting to collect from Premium, or the individuals, or both Premium and the individuals, on the same income item, for a claimed increase in the value of Steep Rock shares. And, also from Premium alone, taxes based on its 2% commission in sale of Steep Rock's ore.

What is subject to decision is whether a Canadian corporation must now pay U. S. taxes on income received from another Canadian corporation if the activities for which the Canadian corporation is compensated took place in the United States in *any* degree.

Canada's Reaction

In the Premium case, the Internal Revenue Service decided that the activities of Premium in the United States constituted a "permanent establishment" although Premium denies it conducted any business in the U. S., had any officers, directors, agents, employees, business, properties, or funds, in the U. S. and merely used on a few occasions the office address of Otis & Co., in Cleveland, Ohio, its investment bankers. Accordingly, the U. S. taxing authorities have assessed taxes on all of Premium's income for the years 1943-1949. One wonders about the absence of strong official Canadian reaction in view of Premium's tax status in Canada and the specific language of the U. S.-Canada tax treaty. If Canada believes it erred in taxing Premium as a Canadian company, why does it not discuss this with U. S.? So far as the writer knows, there is no answer to this.

The Internal Revenue Service has also decided that the Canadian corporation is subject to U. S. income tax on commissions received as a result of selling Canadian goods in the U. S., even if the Canadian corporation does not have a "permanent establishment" there. This is based on the contention that Eaton and Daley performed "personal services" and are entitled to a "commission" and that the selling commissions are not, therefore, "commercial or industrial profits," as stipulated and understood in the tax treaty.

This is bound to come as a shock to Canadian and other foreign business since Premium asserted the only "selling activities in the U. S. consisted of a few demonstrations of the properties of Steep Rock's ore and a single negotiation which was conducted in Cleveland and in which no officers or agents participated inasmuch as Premium ratified the contract, resulting from negotiations, in Toronto."

Unilateral vs. Bilateral Recourse

Canada will be deprived of large amounts of revenue if Premium loses the case. Should that occur, will Canada refund $695,000 already collected? Will Canada protest? Or, will Premium be taxed twice, once by Canada and, then, by U. S.? Millions in refunds may be at stake and much more might not be collectible by Canada in the future. From the point of view of the United States, are we wise in jeopardizing Canada this way, without first proposing mutual high-level governmental discussion of the facts in the case? The writer believes it to be most unwise to allow such basic issues to be decided in the administrative—and even constitutional—courts of one land. It is suggested, assuming Canada will object to unilateral quasi-judicial determination, that the treaty provision for mutual attempt at settlement be utilized. Otherwise we may see the tax-treaty with Canada and many other countries, with whom we enjoy secure tax relationships, rescinded. Thus, whether Canada bestirs herself or not, we should halt the court proceedings and other unilateral steps taken. Unfortunately, we have not seen fit to take the initiative for mutual settlement let alone follow the treaty provisions for consultation.

Informal protests have been made by Canadian and some American businessmen, Canadian newspapers, including Canada's leading financial paper, "The Financial Post" (Toronto). Prime Minister Louis St. Laurent, though not making an official protest, has taken the unusual step of sending a note to us through his Ambassador in Washington, D. C., in which he emphasized it should not be construed that Canada supports U. S. efforts to tax Premium when, by law it permitted Canadian tax investigators to cooperate with U. S. tax representatives in obtaining data on the Canadian company. He further indicated that it was not contemplated that when Canada exempted Premium from income and excess profits tax for a three-year period, there would be U. S. tax application to Premium's operations at a time when both countries were trying to accelerate mutual war interest of both countries.

An addition to the numerous obstacles to international investment, particularly when some success has been reached in arresting, if not lowering, the barriers to private capital flow, by tax treaties and other measures, seems inconceivable. Yet, unfavorable action in this case may raise doubts as to which country has the right to levy current taxes where U. S. ownership of foreign concerns is involved. In the writer's opinion, it would not only be a paradox, but would become a mockery to haunt the efforts we have made, and might make, in any direction to further international commerce and finance.

Action Threatens Capital Outflow

For us to allow an administrative-judicial arm of our Treasury to decide the validity of the Treasury's other arm, the Internal Revenue Service, in its tax suit against a Canadian corporation and operation, seems to this economic writer as threatening to place a damper on the outward flow of short- and long-term capital in foreign private investments. Can this be condoned for a country that has taken an adamant stand against practices of foreign countries to achieve the prevention and direction of the flow of their capital abroad? We are in danger of using an incorrect procedure for an international economic dispute, with the added danger of undermining the recovery performance of private investments abroad. The goal of most capital-deficit countries, suffering from a bad case of trade unbalance, is just this; and such countries usually draw upon an array of exchange control apparatus to keep capital from going out. But this hardly should be what we would want even though we happen to use a different method.

Investors of America Formed in Houston

HOUSTON, Texas—Investors of America, Inc., has been formed with offices in the South Coast Building. Officers are Milton R. Underwood, President; Jack S. Geneser, Executive Vice-President; Robert W. Gardner, Secretary-Treasurer; and Joseph R. Neuhaus and Philip R. Neuhaus, directors. Mr. Geneser was formerly an office of Bradchamp and Company. Messrs. Underwood and Neuhaus are officers of Underwood, Neuhaus & Co.

Continued from page 13

Foreign Economic Growth And Impact on World Trade

velopment of foreign operations than an increase in exports; and the challenge will be: whether your industry will lead in participation in such rapidly expanding overseas operations with the consequent provision of techniques, staff, and some investment, or whether the overseas operations will be undertaken, even though not so successfully, by others.

Effective Energy Used

In addition to population growth, another fundamental factor in the dynamism of economic improvement is energy. Through use of energy, the arm of the worker can be lengthened, production can be increased, drudgery eliminated, and a greater availability of goods and services can be expected. Of the energy "effectively used" throughout the world today, roughly one-half has been estimated to be in mobile form, principally represented by power transport and traction, but also to a limited degree by animate energy; and about half is represented by "stationary" power, i.e. for factories, offices, mines, homes, farms, etc. of which some 95% appears to be electrical in form.

According to various estimates, the annual consumption of "energy resources" of the world has been increasing at a rate of about 5% per annum. But allowing for the progressively increasing efficiency of their use, "effective energy used" has been increasing at a more rapid rate, perhaps half again so much, and bids fair to continue. For the electrical portion has been doubling in some seven to nine years, with oil generated power also increasing at a high rate. This increase in the use of energy seems to be world-wide. And the devotion of increased energy to the processing and conversion of materials and goods, to their transport, to communication, to the relief of drudgery in the home and office, and to computation and control of operations, can increase the productivity of man and increase his opportunity for better living levels. To anyone traveling widely abroad, particularly in the less developed countries, an outstanding observation is the evident conviction on the part of the mass of people that they are going to go forward to higher levels. And the provision of energy is basic in the realization of this aspiration.

If Gross National Product — assuming peace, favorable attitudes, and access to resources—can rise at say roughly ⅔ths the rate of growth in the use of "effective energy"—and in certain actual cases it has increased more rapidly — one of the most constructive addresses to the situation is the provision of greater energy availability. And this applies all over the world. Furthermore, a comparison internationally shows that countries using the greatest amount of energy have by far the highest levels of living, the relationship being almost linear. The significance of this truism is now being more generally understood around the world, and economic growth abroad as well as here, is being promoted by the provision of greater energy availability. Luckily this is going forward rapidly, but the recent shocks weakening confidence may limit somewhat the availability of finance in various cases, where devotion of resources to increasing energy availability, rather than to the provision of additional armaments, is a crying need. Nevertheless, one can, I feel, confidently look forward to a progressive increase in the availability and use of "effective energy" throughout the not too distant future, at a rate of an order of magnitude not far from that evident in the past.

Economic Break Through

To look at another important index, we may note that the world's economic output has been increasing in real values in the last decade at a rate probably in excess of 3% per annum, or perhaps double the rate of population increase. This has given a substantial "fillip" to all business, and though not evenly distributed, has caused an economic "break through" as compared to slower rates or static conditions being accepted over wide areas before. This has been characterized by increased production of all types, agricultural, mining, manufacturing, etc. And it is to the further increase in such production that we must look for greater expectancies for greater consumption.

In dealing with overall figures we must not ignore the fact that concomitant to the increase in world production and economic output, there has been a progressive increase in and dispersal of world industrial and manufacturing activity, which as nearly as can be estimated has multiplied some 10 times in the last 70 to 80 years. However, in the same period, world trade in manufactured articles has increased only some four times. No trustworthy figures are available as to aggregate Gross National Product or National Incomes on a world basis over so long a period; and the indices of world trade and volume of manufactures are subject to error. But these figures, taken over periods of war and peace, tend to indicate that by and large as world manufacturing increases, and as the dispersal of manufacture continues, economic output increases; and trade also increases but at a somewhat slower rate. Furthermore, leadership in trade in other than natural resources, depends upon "innovation" or bringing out new products, and trading in them prior to their economical manufacture abroad, as well as competitive factors. In fact, with American labor rates three to four times those in Europe, technical leadership and innovation are our greatest hopes for substantial trade other than in mass produced items.

Increased Post World War II Trade

For the progress of world manufacturing activity has continued upward by and large regardless of wars, and there are great pressures to manufacture locally. However trade, which increased slightly less rapidly than world manufacture in the decades leading up to World War I, at that time was seriously discommoded and the pattern was shattered, with the result that until trade started up again after World War II, there was little increase in its volume as compared to that of 1913 or prior to World War I. We have, however, seen since 1946 a progressive increase in the volume of world trade. And we have likewise seen, for various industrialized countries of Western Europe, that the increase in international trade in this postwar decade has been even greater than their increase in Gross National Product or economic output. Such a trend is conclusive evidence as to the interdependence of the various countries in our modern world. And whereas we cannot expect such trend to continue indefinitely, it is satisfying to note. Further it leads us to expect that the world may have learned something from the disastrous results of restrictions, intensive nationalisms, and political use of currency and trade controls between World War I and II; as these so throttled trade then, with mutual handicap, that each country today seems to realize that it is better off in fostering a more liberal attitude.

U. S. A. Share of World Trade to Decline

In addition to this growth in trade, which cyclically appears to vary with—but in the long term at a progressively decreasing rate with respect to — growth in economic activity, there is the question of pattern, with respect to source of supply, taking into account the dispersal of manufacture and industrial development. In the decade of the 1870's, some 55% of the world's manufacturing output was apparently in the three countries of Western Europe, namely Germany, France and England. The United States accounted for less than 25%; the USSR probably not to exceed 4%. Today the United States perhaps accounts for 40% of the world's expanded total; Western Germany, the United Kingdom and France together probably 21-22%; and the USSR probably of the order of 13-14%. Looking toward the future, and noting the rates of population growth, increase of economic output, and growth of energy consumption, one would expect a decade from now that the share of world manufacturing production attributable to the United States and Western Europe would probably be slightly decreased. The Russian share would probably by that time, assuming peace, be say 15%, still lower than that of Western Europe; and we would have an increased share in Latin America, in the British Commonwealth overseas, in Japan and in other areas. Such would change the pattern of trade in manufactured goods as well as that in raw materials.

More Dependent Than Before

Various economists have predicted a growth in the U. S. economy of roughly 40% in the next decade, and a growth trend of roughly comparable magnitude continuing throughout the next generation. But if we are to realize such growth, our economy will become more dependent upon raw materials and other resources to be obtained from foreign sources. Many of us can remember the day when the United States was, on balance, an exporter of oil and copper, and steel was produced with domestic ingredients. Today we are a net importer of oil, a net importer of copper, and are importing iron ore from Labrador and Venezuela to supplement our own resources. Accordingly our dependence upon foreign supplies is already real, and will probably increase in the next generation. This will be a stimulus to foreign investment on our part. And the combination of the increased imports and foreign investment may be expected to increase foreign dollar availability and permit a higher level of commercial trade in the way of exports than otherwise would be the case. Furthermore increased American travel abroad will probably assist in this trend. And whereas U. S. exports as a percentage of the world's exports may decrease from their present approximately 20%, to a position closer to their pre-war share of 15%, the growth of U. S. commercial exports, both in aggregate and particularly in the lines where new developments, innovation and technical leadership are evident, seems assured, except as local manufacture abroad consequent upon the general trend toward dispersion, reduces this potentiality. But in those lines where we have nothing distinctive to offer, with American labor rates as high as they are with reference to those of Europe and other countries, and other than in the natural resources or raw material where alternative supplies are less generally available, the future expansion of our exports would appear to be doubtful.

Future Export Products

Where through technical leadership and innovation, we can bring out new products finding acceptance, there is immediately an export opportunity until it becomes feasible to manufacture such products. The pharmaceutical history of international trade in finished or manufactured goods shows this same trend, and there is no reason for us to believe it will not prevail in the future. The pattern of our commercial exports may be expected to follow the lines of profitability, and hence ever have emphasis upon new products. The pharmaceutical industry in the U. S. is a dynamic industry; it is characterized by development and new products. Accordingly on this score, it should be able to look forward to export markets on a continuing basis. But the individual article exported will probably only have a vogue in the export trade for a limited period, until manufacture of that particular article becomes feasible in the markets abroad, by which time it is to be hoped that the dynamism and inventive capacity of the industry will be such that a new product will already have come into the pattern. But to preserve a position in the market overseas, the American pharmaceutical industry will be faced with the problem of progressively participating in local manufacture abroad and conducting overseas operations, or seeing the overseas operations established by others. With participation and with some investment at risk, there is the opportunity for continuing supply on a broader base in the foreign markets as the individual items fall out of the export picture in given territories. And if we can have a climate in which the enterprise of the American industry can participate in "responsible" overseas operations, I feel that the opportunity is tremendous.

Summary

In a review of this nature, and particularly in looking down the road into the future, the overall international climate, which today is somewhat unpredictable, seems to have controlling import. If we avoid predictions, but nevertheless make some assumptions for planning purposes which do not appear to be unreasonable, along lines that have been discussed, I think we can assume a forwardly progressive world, with a serious risk of major war through mistake or inadvertence but not by design, and therefore with the odds favoring no such conflagration. And whereas we must foresee tensions, risks and uncertainties, I feel we will progressively learn how to solve many of the problems, and learn how better to live with many of the others. If so, on a world scale, economic development will proceed with increased population, increased energy use, and a growing conviction on the part of populations that they can and will have more of the better things of life. With this outlook we can expect increased demand for pharmaceuticals on a world-wide basis. As a growth industry, with roots of humanitarian significance, the demand will probably increase more rapidly than world economic activity. One might expect a continuation of exports, with the pattern however continually changing to emphasize the new and deemphasize the old, particularly as the latter becomes feasible to manufacture abroad. And whereas the "envelope" or aggregate of exports will probably increase, the opportunity for the most rapid expansion will probably be in local manufacture abroad, or the conduct of overseas operations. This presents the element of choice to each company; to take certain risks with investments, staff and techniques, in perhaps participating in overseas operations and by such means to continue in that form in the overseas markets, or to see such activity undertaken by others. It is recognized that the climate abroad in many countries is not conducive at present to such risks; in others it is marginal; in some, the risks are definitely subordinate to the opportunity. But in each case, as representatives of American industry consider participation in overseas operations, such must be approached on the basis of a "responsible" operation, operating in the balanced best interests of various parties, with advantage not only to the owner but likewise to the host country. My own belief is that the pharmaceutical industry, in its leadership, in its dynamism, has the opportunity to expand its export trade, and also on a selective basis its overseas operations, to its own profit, to the benefit of peoples and nations overseas, to the advantage of the United States, and that such would contribute to the advancement of humanity and the promotion of peace.

Commodity Exchange Re-elects Lauer

Theodore A. Lauer, General Partner in the New York Stock Exchange firm of E. F. Hutton & Co., was reelected President of Commodity Exchange, Inc., at its organizational meeting.

Theodore A. Lauer

Joseph Fischer of Joseph Fischer & Co. was re-elected Treasurer.

The following Vice-Presidents were elected, Jerome Lewine of H. Hentz & Co., Timothy F. Carberry of Metals Traders, Inc., Frederick T. Koyle of Carl M. Loeb, Rhoades & Co., and Walter S. Stern of H. Elkan & Co.

Halsey, Stuart Group Offers Pacific Gas & Electric 4½% Bonds

Halsey, Stuart & Co. Inc. headed a group of underwriters which yesterday (Jan. 23) offered $35,000,000 of Pacific Gas & Electric Co. first and refunding mortgage bonds, series AA, 4½% due Dec. 1, 1986, at 100% and accrued interest, yielding 4.50%. The group was awarded the bonds on Jan. 22 on its bid of 99.2159%.

Proceeds to be received from the sale of the bonds will be applied toward the cost of additions to the utility properties of the company and to retire short term bank loans obtained for temporary financing of such additions.

The series AA bonds will be subject to redemption by the company at prices ranging from 105% to 100%.

Pacific Gas & Electric Co. is an operating public utility engaged principally in furnishing electricity and gas service throughout most of northern and central California, a territory with an estimated population of approximately 6,250,000 and including San Francisco and its environs. In the 12 months ended Sept. 30, 1956, over 65% of its gross operating revenue was derived from the sale of electricity and close to 35% from the sale of gas.

Public Utility Securities

By OWEN ELY

Hawaiian Electric Co., Ltd.

With Hawaiian statehood approaching, it may be of interest to take a look at one of the two large utility companies in the Islands—Hawaiian Electric — with annual revenues of $21 million and a good growth record. The company traces its beginnings back to 1886—only a few years after Consolidated Edison got its start—when King Kalakaua's birthday was celebrated by illuminating the palace grounds with arc lamps. After Hawaii made the transition from monarchy to United States Territory, the company gradually extended its service to the entire 604-square-mile area of the island of Oahu, including Pearl Harbor.

The company started its first modern plant in 1920, and another was built in 1938. In the postwar decade $42,600,000 in plant facilities was added, raising the total to $71 million. By 1956 generating capacity reached 280,000 kw. and two additional units will be installed by 1960. At that time total investment should exceed $100 million.

Honolulu's income is derived primarily from the sugar and pineapple industries, tourists, the military, and many smaller diversified sources. Old-established island corporations, several over a century old, are business neighbors with branch organizations of such national companies as Sears Roebuck, Woolworth and Kress. The volume of business in Honolulu County in 1955 amounted to over $1.3 billion. Sugar heads the list of industries, with 28 plantations producing over a million tons a year and bringing $145 million into the territory—over half the income from sale of all goods to the Mainland. The pineapple industry ranks second with an income of about $110 million. Some 14 plantations and nine canneries turn out 720 million cans a year.

Hawaii's tourist industry has grown amazingly in the postwar decade. Resumption of luxury ship service and the development of air travel stimulated the boom, which may be further aided by the approaching use of jet planes. New ships being added to the California-Hawaii run should quadruple tourist steamer facilities in the near future. As a result, new hotels are being built on a large scale. In 1955 nearly 110,000 visitors came to Hawaii, spending $56 million. It is estimated that by 1965 the Islands will attract 285,000 tourists, spending $125 million annually. However, the tourist business is over-shadowed by Federal expenditures—principally to support the Armed Forces—which in 1955 amounted to $338 million.

According to a research study, the rapid growth of the Islands is expected to continue with the population of Oahu increasing from 386,000 last year to a projected 485,000 in 1965. Principal factors generating this growth will be increased military forces, further expansion of the tourist business, continued growth in apparel manufacturing and a major increase in construction activity.

The company's peak demand during the past nine years has increased from 104,000 kw to 193,000 kw, representing a compound load growth of approximately 7.7% annually, and demand is expected to continue to increase at this rate or more.

The company is subject to regulation by the Public Utilities Commission in the Territory. Two recent rate increases have been granted, one of about 8% in January, 1953 and one of 7% in June, 1955. All rate schedules now contain automatic clauses whereby rates vary with the cost of fuel oil.

Internal cash and retained earnings are expected to provide a substantial part of the $51 million construction program for 1956-60. The company has planned to raise about half of its capital requirements from sale of bonds and one-quarter each from preferred and common stock issues; on this basis capital structure should remain about the same as at the end of 1955—debt 47%; preferred stock 15%, common stock equity 38%. Prior to 1940, the company was able to do its financing in the Territory of Hawaii. Later bond and preferred stock financing was effected with the aid of New York and San Francisco financial houses. It appears likely that the company is now seeking a wider interest in its common stock in "Mainland" markets, as an aid to equity financing. A party of Wall Street analysts are being flown to Hawaii to inspect the company's properties.

The common stock, which has an unbroken dividend record since 1901, has been selling recently around 42 and pays $2.50 to yield nearly 6%. Recent share earnings were $3.12, making the price-earnings ratio 13.5; however, if share earnings should be calculated on the basis of average shares, earnings would be $3.45 and the price-earnings ratio 12.2. The equity ratio is currently 39.5%. During the years 1946-52 share earnings were irregular, but they increased from $2.13 in 1952 to $3.16 in 1955. These figures are without adjustment for the payment of a stock dividend of 10% in April, 1956, which raised the number of shares outstanding to 770,000.

Paul E. Korns Opens

DAVIDSVILLE, Pa.—Paul E. Korns has opened offices at 123 North Main Street to engage in a securities business.

Form Maryland Diversified

BALTIMORE, Md.—Maryland Diversified Investment Co., Inc., has been formed with offices at 2026 Maryland Avenue. Officers are Morton Sandler, President; Joseph H. Mullen, Vice-President; and John H. Robbinetter III, Second Vice-President; and Walter Unger, Secretary-Treasurer. All were previously with A. J. Grayson & Co.

Chi. Banker Expects Money Supply Increase

Kenneth K. Du Vall does not believe Federal budget performance will allow planned surplus to materialize; expects continued upward pressure on prices, and foresees money supply growth.

Once more the world's troubles overshadow all else in the domestic economy. Increasing military expenditures plus massive foreign aid will soon reverse the effect of the Federal Government's fiscal policy.


Kenneth K. DuVall

This was the conclusion of Kenneth K. Du Vall, President of the Merchandise National Bank, appraising the economic outlook for 1957. His remarks were prepared for release to the bank's stockholders at their annual meeting on Jan. 15.

Federal Spending

"Instead of siphoning off funds through the collection of taxes in excess of expenditures, the Federal treasury will be returning more and more funds to the spending stream," Mr. Du Vall predicted.

"The impact of this force, coming at a time when productive capacity and the labor force are stretched close to the limit, will prove to be without precedent in our peace-time history," he declared.

Upward pressures on prices will continue unless put under rigid controls, Mr. Du Vall said, predicting that monetary policy will probably have to be adjusted before the year is over to permit growth in the supply of money.

Cutting Bank Costs

Banks, in common with all other forms of private business, have been and continue to experience a great increase in fixed expenses, Mr. Du Vall pointed out.

"But, unlike many other forms of private business, we in banking do not readily adjust the price of our services to costs," he continued. "The chief ingredients in commercial bank income are interest rates and suitable earning assets, over which banks have but little control.

"It is clear bank management is never able directly and effectively to control gross income," he said. "However, net income which is what we seek, is arrived at after deducting expenses from gross income. In the expense area we can and must accept responsibility for a large measure of control."

Referring to the Merchandise Bank's substantial increase in profit from operations in 1956, Du Vall attributed it to a sound control over expense, on one hand, and a large demand for money at higher rates, on the other.

"Under present monetary policy, when business is strong, money will go up in price; when business slows down, money will go down in price. In such an era banks, like all investors, must keep their position and their policies flexible," he concluded.

Foster & Marshall Admit

SEATTLE, Wash.—Foster & Marshall, 820 Second Avenue, members of the New York Stock Exchange, on Feb. 1 will admit Gary A. Foster and Richard E. Bangert to partnership. Mr. Foster will acquire a membership in the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The technical position of the Government market, according to some money market specialists, is improving, especially in the short- and intermediate-term sectors. It is believed in some quarters that the short-term Treasury securities will be the first to reflect changes in monetary policy, particularly as it is coming about. The demand for the most liquid Government issues appears to be picking up and, according to advices, some of this buying is coming from sources that have been out of the market for a long time. The decline in yield of Treasury bills seems to bear this out.

The longer Government securities have also been moving ahead with considerable gusto at times, but this sector will still have to meet the competition of the capital market, and, for the present, there seems to be no tangible let-up in the demand for such capital funds. The thinness of the most distant Government market continues to make it susceptible to easy price movements, even though some minor investment buying has been reported.

Public Pension Buying of Long Governments

Because the demand and supply factors are very small in the long Government market, quotations of these securities are still being moved about very readily. For the past two weeks, however, prices of Treasury obligations have been very much on the strong side with the setbacks not too sharp so far. It is reported that the amount of investment buying in the longer maturities of Government issues is still very light, even though it is larger than it has been at times in the past. Pension funds, mainly of the public variety, are supposed to be the principal buyers of the most distant Treasury securities, together with reported acquisitions now and then for Government agency accounts.

However, it is indicated that the amount of buying which is being done by the various ones that are interested in long-term Governments is not important enough to have a marked effect upon quotations, except in a very thin market, and this could not be accomplished without a large amount of help from the professional side.

Conflicting Views on Rate Trend

The confusion which is currently surrounding the money markets is not likely to be lifted in the near future, according to not a few money market specialists. They point out that on the one hand, there are the statements from important Government sources that the inflationary forces are as strong as ever and, under such circumstances, there will be no let-up in the pressure which has been on the money market. As a matter of fact, this group continues to talk about another increase in the discount rate which would probably push it up to 3¼%.

On the other hand, there are statements from other very reliable sources to the effect that the uptrend in interest rates has about reached a peak and in the not distant future some easing should be looked for in money rates. The answer as to which one will be right in their predictions about the future course of interest rates may come a lot faster than many suspect.

Boom Coming to An End?

The demand for short-term and intermediate-term Government obligations is developing, with reports that rather sizable positions are being built up in these issues. Some of the short-term buying is being attributed to the need for the improving of liquid holdings by corporations, probably to meet impending income tax payments. As against this, there is evidence that certain of the smaller commercial banks have been putting a fair amount of money into the middle-term Treasury obligations.

Also, it is reported that a not unimportant source of buying in the near-term and intermediate-term Treasuries is from the money which is being taken out of the equity market. The action of common stocks, according to some money market specialists, indicates that the boom is coming to an end, and this will have a favorable effect upon the money market and fixed income bearing obligations.

Loan Trend on Wane

The betterment in the long-term Government market was probably helped by the good reception which was given to many of the new offerings of corporate and tax-free bonds. Also, the fact that loans have been showing a declining trend in all classifications, and that Federal has not tightened the money market in recent weeks as much as it might have, are not unfavorable developments as far as Treasury issues are concerned. Moreover, the sell side of the Government market has been very small and limited at current levels of quotations.

Pacific Coast Exch. Elects Governors

Calvin E. Duncan, senior partner of Calvin E. Duncan & Co., San Francisco, and P. J. Shropshire, partner of Mitchum, Jones & Templeton, Los Angeles, have been elected governors of the Pacific Coast Stock Exchange.

Mr. Duncan replaces Warren D. Berl, of Edwin D. Berl & Sons, San Francisco, while Mr. Shropshire replaces Chester L. Noble, partner, Noble, Tulk & Co., Los Angeles.

Both Mr. Duncan and Mr. Shropshire were also elected governors of their respective divisions of the Pacific Coast Stock Exchange.

With over 30 years experience in the securities industry, Mr. Duncan has been active in numerous San Francisco Exchange activities. He was Chairman of the San Francisco Wire Committee which worked with a similar Los Angeles group in establishing the ground work for the new Pacific Coast mart.

Mr. Shropshire, who was a governor of the Los Angeles Stock Exchange, 1953-55, has been associated with Mitchum, Jones & Templeton for over 20 years. He served on the Los Angeles Wire Committee.

The Pacific Coast Board also includes William H. Agnew, Chairman; Frank E. Naley, Vice-Chairman; and Leo B. Babich, Richard P. Gross, Ronald E. Kaehler, and W. G. Paul.

Continued from first page

As We See It

deal of time was spent on it, and this is apparently the best we can do at the present time."

Whether a severe depression at some early date would be the penalty for further indifference to the mounting volume of public expenditures and taxes, we leave to others who may feel more inclined to peer into the future, but we have no hesitancy in saying that the Secretary of the Treasury has in this rather salty way called attention to a matter which we can continue to neglect only at very serious risk. It is all very well for the President to boast of balanced budgets. The fact is, though, that they are balanced only by the imposition of crushing taxes —and by reason of a record breaking rate of business activity which only the most naive can expect to last indefinitely.

Future Commitments

What is more—and what does not reflect itself in the budget — we have already committed ourselves to payments in the future in amounts that make the huge budget figures of the President look small. This must mean, of course, that at sometime in the future the budget must provide for outlays which would even in this day and time appear almost incredible. These programs — social security is perhaps the most costly of them, but there are others — have been so drawn that year-to-year budgets have not yet begun to reflect these matters in any great degree. However, the fact that we have committed ourselves to these extraordinary outlays in the future should by all rules of prudent financial management lead us to hold to a minimum current outlay and reduce indebtedness with vigor against the day when we shall no longer be able to postpone these huge future payments.

So much has been said in recent years—and justly said—about the need of a balanced budget that there is danger that the rank and file will gain the impression that when the national budget is balanced, all is well. Such, of course, is most definitely not the case. Funds are being provided only for current needs at the same time that immense obligations for the future are being incurred, but it is likewise true that even on the basis of strictly current operations, a balance is being attained only at the price of taking from the people large sums in taxes. Taxpayers without the slightest doubt could and would do a much better job employing these funds in a productive way than does or will the Federal Government. The amount of debt reduction during recent years when business has been going at a great pace is hardly more than trifling.

A Look at the Record

Take a look at the record that the President himself sets forth. Individuals in 1950 paid out to the Federal Government something less than $17.5 billion in income taxes; in fiscal 1956 they paid not far from $35.5 billion. During the current fiscal year some $38.5 billion will be taken from them in personal income taxes, and for next year the figure is set at $41 billion. In 1950 corporations paid out of their income something less than $11 billion; they are now paying at the rate of nearly $21.5 billion, and next year are expected to have to pay somewhat more than double what was required of them in 1950. The Eisenhower Administration is supposed to have granted some relief from excise taxes, but next year about $11 billion of these levies are to be collected against about $7.5 billion in 1950. Add all this up and we have a proposed tax take next year of more than $73.5 billion, or somewhat more than double that of 1950.

Such figures as these would not make such sorry reading if the national debt were being reduced substantially. But in this matter the facts are far from heartening. In fiscal 1956, national debt was brought down from $274.4 to $272.8 billion! According to present estimates and proposals, it will still be but little less than $270 billion at the end of fiscal 1958! And all these guesses about receipts are based upon the assumption that the volume of business and the general state of business will continue at or about the current record breaking rate. The trouble is, of course, that plans are being laid for enormous outlays next year, and so long as the money is to be laid out, there is no alternative—or certainly no acceptable alternative—to levying taxes proportionately.

There was a time when the politicians were able to excuse themselves by saying that much the larger part of the expenditures consisted of defense outlays and that these could not be reduced without risking dire things. Strangely enough, this Administration at the same time that it is planning record breaking total expenditures is still holding defense expenditures to a level substantially below the level ruling when it came into office. It has convincingly shown that it is possible to keep defense outlays within reason without weakening ourselves unduly, but it is unable to reach the same or similar results when it turns to those portions of the budget which have heretofore been regarded as reduceable — if any were amenable to reduction.

New Deal paternalism and unconcern about the cost of it seems to have pervaded the thinking of all too many of us.

Continued from first page

The Price of Stability

the dollar, of huge demands for borrowed funds in excess of current savings, impinging on a situation in which prices are already rising and demand is already pressing on industrial capacity. It is within the Reserve System's technical discretion to make sufficient reserves available to the commercial banking system to permit the banks to make loans in much larger volume. This would in effect, however, create money to offset the deficiency of savings. If the Federal Reserve System did this, it would betray its basic responsibility.

Price Trends

In the course of the last 18 months, the prosperity, stability and growth which this country had enjoyed began gradually to turn into a boom. An exuberant optimism developed, serious shortages appeared in key commodities, such as steel, and prices rose over an increasingly wide range of commodities. In the atmosphere of generally active demand, opportunities for employment were brisk and were reflected in increased wages. As costs of both labor and materials rose, they were increasingly passed on into higher prices for final products. Regulated agencies, such as railroads, squeezed by higher costs, requested and were granted rate increases, thus adding further to the cost of doing business. For a long time these expansive developments found only moderate reflection in the general cost of living, partly because our agriculture was going through a basic readjustment and food prices were low. More recently, as food prices first stabilized and then rose, the very general rise in costs and prices which had been gathering headway has been more fully reflected in the index of consumer prices. As this index is used by many of our leading industries to determine when wage adjustments shall be made, we are now experiencing an additional series of cost increases which industry will naturally wish to pass on in pricing intermediate and final products. These developments are now sufficiently widespread to furnish unmistakable evidence that the mechanics of the spiral of inflation is at work. The spiral can be said to be still an infant in that the total rise in the cost of living is still less than 3%. It is so unmistakably present, however, that it calls for consideration of the dangers involved in such a spiral and the existing means of coping with it.

Mechanics of Inflation

An inflationary spiral once in operation has strong tendencies to feed upon itself. Because prices generally are expected to rise, the incentive to save is diminished and the incentive to spend is increased. Consumers who would normally be savers are encouraged to postpone saving and, instead, purchase goods of which they are not in immediate need. Businessmen, likewise, are encouraged to anticipate their growth requirements. Thus, spending is increased on both counts. But because the economy is already operating at relatively full capacity, further increases in spending cannot result in corresponding increases in production. Instead, they work themselves out in a spiral of more and more rapidly mounting prices, wages, and costs, in other words, in an accelerated depreciation in the purchasing power or real value of the dollar.

The operations of such a spiral undermine the very foundations of balanced industrial growth. Growth or expansion plans are necessarily concrete and are based on projections of market trends in the demand for specific products. These trends become quite misleading when they reflect not basic demands that may be expected to recur but rather anticipatory buying entered into as a sort of hedge against inflation. Expansion of capacity based on faulty forecasts may lead to serious imbalances in productive capacity and in the credit structure, imbalances that may set the stage for hard problems of readjustment later on.

Brakes on Inflation

Such is the prospect that would lie before us should the incipient spiral of inflation, now in being, gather headway and become first self-feeding and later self-accelerating. This simply cannot happen, however, without increasing supplies of money. As prices and wages and costs mount, more and more money is needed to finance transactions. Some of this financing can be effected by drawing down working capital and by making more intensive use of money already in existence, but there are limits to these expedients. A mounting spiral of inflation, accelerated by feed-back, can never go very far without additions to the money supply. We are safeguarded, therefore, as long as the Federal Reserve System maintains appropriate monetary policies. It is the one institution within our government which is explicitly charged, by the nature of its functions, with concern for the preservation of the purchasing power of the dollar. To be alert to the effect of its operations at all times and to stand adamant against inflation is a primary responsibility of the Federal Reserve System.

Basic Cause of Tight Money

When interest rates rise, as they have risen during the past year, in a context of (1) high-level employment, (2) output pressing on limits of capacity, (3) rising costs and prices, (4) increased velocity of money, and (5) deterioration of bank liquidity and corporate working capital ratios, and when all of these developments occur at a time of continued stability and some growth in the money supply, the only real explanation is that plans for investment in the aggregate are in excess of current savings. It follows, also, in this context that money cannot cease to be tight and equilibrium be restored unless either savings increase sufficiently to meet investment demands, or investment plans are scaled down to the availability of savings, or that a balance is achieved by a combination of both.

If the Federal Reserve System should disregard its mandate and release more reserves to the member banks, this would not relieve the situation. Rather, it would accentuate it, for the commercial banks would then lend more to potential borrowers seeking loans. These borrowers, with money in hand, would enter the markets to add their bids for scarce goods and scarce services to bids already there. The effect would be to spark an inflationary spiral and to accelerate the rise in prices, wages and costs. As a consequence, even more money would be needed to finance transactions. When the circle had worked itself out, money still would be tight because the basic economic requirements had not been met, i.e., saving had not come into equilibrium with demands for investment.

Now, the Federal Reserve System has, in fact, mitigated the rise of interest rates during the past year in the sense that it has increased somewhat the volume of reserves made available to its member banks, and, to the extent that increased loans and increased spending were made possible by these releases, the System shares in some part responsibility for the price advances that have occurred. It did not release reserves in sufficient volume, however, to neutralize the economic forces that were the fundamental cause of the rise in interest rates. Throughout the past year, as a result, commercial banks have operated within a general environment of restraint that has helped to temper the exuberance of the boom.

Price of Stability

What then is the price of stability so far as it is affected by conditions in the financial markets? It consists essentially of changes in the difficulty with which money can be borrowed, in the interest rate which must be paid for that borrowing, and in the rewards that accrue to those who save. Naturally many voices are raised in protest.

Loudest is that of the home builder and home buyer who counted on financing his transactions on mortgages subject to an interest ceiling of 4½%. Mortgage lenders, able to lend their money on mortgages of equal quality for 5% or better, are obviously not interested in mortgages yielding less. More distressing yet is the plight of our municipal and school authorities who come to the market to borrow funds to enlarge sadly deficient school facilities. They are dismayed at the impact of higher interest outlays on school budgets that are already strained. Almost equally aggrieved are the small businessmen who complain that they are squeezed unfairly as compared with the giant corporations which not only may be better able to pay higher interest rates but also have wider access to markets in which to find the funds they seek. Most misleading are the voices that maintain that higher interest rates are needlessly swelling the costs of government because they apply to our huge national debt and that they are delaying the day when a well-ordered Federal budget will permit long-needed tax relief for our citizens.

Increasingly, voices representing all these points of view demand a reversal of current Federal Reserve policies or some exception to the impact of these policies so far as they affect a particular situation.

Would Reversal Bring Relief?

Now, the Federal Reserve has no power to favor some groups of borrowers as against others, for example, to favor public school authorities in their quest for borrowed money at the expense, say, of funds for plant expansion. All the Federal Reserve can do is to affect the total volume of funds available to the commercial banks to lend. Since the great bulk of loans do not pass through the banking system at all but are channeled from savers to borrowers directly, or through financial intermediaries such as insurance companies, the Federal Reserve System actually affects only the amount by which the banks augment savings that enter the market from other sources. Thus the Federal Reserve has no means to bring relief to any specific group of borrowers alone. It can only make reserves available to the commercial banking system as a whole, to be loaned in the market under competitive conditions. To increase such reserves under present conditions would, of course, increase the inflation. But would it also bring relief to the affected groups?

Partly in response to tighter money, building costs have been fairly steady over the past few months, but over the past two years they have increased three times as much as the cost of living. How long would home builders be able to develop mass markets if building costs were to inflate further? How many additional schools could, in fact, be built if costs of construction were to resume their recent rate of rise? Would not lower interest rates, if they stimulated a resumption of this rise, compound the problem? The small businessman is particularly vulnerable to unpredictable price movements. He is less able to cope with inflation than the large concern that can employ specialists to deal with the impact of rising costs on inventory, pricing and expansion policies. The budget-maker knows too well how rising costs ruin his carefully prepared itemization of prospective expenditures.

More sophisticated critics point out, correctly, that the huge demands for financing now present in the money markets are not entirely related to current industrial activity but partly to the financing of future activity when labor and material may well be in better supply. Is there not a real danger, they ask, that the current level of interest rates will stifle essential forward planning of our businessmen and set the stage for a recession later on?

There is no question but that this problem is real and that its relative weight must be taken into account in every decision concerning monetary policy. It is probably true that some of the over-exuberance that has characterized the American economy in the past two years had its origin in the very easy credit conditions that prevailed in 1954. We can see clearly now that this is true as to certain important segments of the home building industry.

Because of the existence of this problem, the Federal Reserve System can never commit itself specifically with respect to its future course of action. It must always be in a position to adjust its policies to the requisites of stability. The balance between saving and spending is subject to many shifts, and the Federal Reserve System must always be in a position to respond flexibly to these shifts. It does this in a minor degree, in fact, almost continuously. Those who care to read the record meticulously will find that on more than one occasion during 1956, the Federal Reserve relaxed somewhat the emphasis with which it applied policies of restraint. On each occasion, a subsequent quickening of inflationary pressures indicated a continued need for restraint.

One generalization that emerges from these illustrations is that, despite the possibility of differential impacts, interest rates high enough to balance saving with investment are a cheap, not a dear, price to pay for stability when the alternative is inflation. Inflation, long continued, corrupts the foundations of society. It reaches into the bosom of the family, erodes its savings, and undermines provision for sickness, education and old age.

What About "Mild Inflation"?

Yet, there are other voices, urbane and persuasive, to suggest that a little inflation, a controlled inflation amounting to, say 2% a year, may not be too bad, particularly if the alternative be a deep depression. They suggest (1) that it may be a necessary price for growth and prosperity and insurance against the losses of deep depression, and (2) that workers' real wages are now protected by suitable collective bargaining contracts against the ravages of an annual 2% increase in the cost of living. This view overlooks many pitfalls.

First, the cited alternative of deep depression is completely invalid. Interest costs that contribute to stability by balancing saving with investment do not set the stage for economic collapse. To the contrary, they help prevent imbalances from developing in the economy. If a depression occurs, it will be because these imbalances have actually developed, not because they were avoided.

Second, there is no such thing as a controlled inflation limited to 2% per year. If it were once known that our government consciously embraced or tolerated such a goal, the incentive to save would be sadly diminished and the incentive to spend sharply increased. This in itself would lead to an acceleration of inflationary pressures. It would tend to make them self-feeding and would go far to eliminate any possibility that the pressures could be controlled within narrow limits.

Third, escalator clauses cannot protect the whole economy from inflation. At the best, they insulate a portion of the economy at the expense of the rest. This is the road to internal disruption and social chaos.

Finally, continued inflation, even if it could be controlled to a rate of 2% per annum, would by no means be mild. It would be equal to an erosion of the purchasing power of the dollar by about one half in the course of each generation. For example, a worker retiring at the age of 65 on a pension of $100 per month would have the equivalent of only about $82 per month at age 75, and of only about $67 per month at age 85. If he lived to be one hundred, his pension then would be the equivalent of only $50 in current prices.

Worker Is Not Protected

These calculations illustrate the tremendous stake that the American worker has recently acquired in stability in the purchasing power of money. Among the outstanding gains achieved by collective bargaining in recent years is the widespread adoption of industrial pension and retirement plans based on the worker's earnings during his active working life. If we should experience merely creeping inflation, those pensions will be seriously deficient in buying power as compared with what the worker had the right to expect. If the inflation should be anything more than creeping, the loss would be disastrous.

Two other important provisions of modern collective bargaining contracts relate to automatic cost of living adjustments and automatic adjustments for increases in general productivity. Where in effect the first clearly protects the worker from inflation so far as current earnings are concerned, it also automatically translates rising consumer prices into rising costs of production. The second diminishes the extent to which growth in productivity may act to cushion inflationary pressures.

Thus, should our government come to tolerate a goal of even mild inflation, these new features of collective bargaining agreements would tend actually to speed the interplay of generally inflating costs and prices upon each other at the same time that the real value of the worker's pension was being dissipated.

No such calamity is implicit in these agreements, however, if our government continues to stand firm for a stable dollar. In an environment where the purchasing power of money is stable, these key provisions that now characterize so many collective bargaining contracts are not mutually inconsistent. Rather, they mutually reinforce each other in promoting the prospects of a widely based and stable prosperity.

Community Response

The last thing I would want to imply is that the Federal Reserve can produce or guarantee sustainable growth or stability or a completely stable purchasing power of the dollar. That happy result depends on mutually harmonious and reinforcing interactions between all parts of our society. The Federal Reserve does play an indispensable role, however, in the quest for stability. I am certain that stability would be impossible if the Federal Reserve failed in its duty to adopt appropriate policies directed toward sustainable economic growth, high levels of activity and stability in the purchasing power of the dollar.

The adoption of these policies by the Federal Reserve, however, by no means insures their effectiveness. That depends on a constructive reaction by every element in the community. To revert to the earlier analogy, a community in which the citizens were preponderantly law abiding would still be lawless should the Courts fail to administer the law. On the other hand, a community that was essentially lawless would remain so no matter how conscientiously the Courts acted on the cases that came before them. Equally, in the problem of achieving and maintaining stability, the Federal Reserve can refuse to fuel the fires from which the inflationary spiral springs. Also, on appropriate occasion such as the present, when saving is vitally necessary to provide the ingredients for growth, it can so operate as to permit market forces to increase the incentives for saving. But sustainable growth will not be forthcoming if the community does not respond to these incentives and does not, in fact, curtail its consumption and increase its savings. In the same vein, the Federal Reserve, when credit demands are expanding at a time of rising prices and excessive demands on our productive facilities, can permit this demand to be reflected in the availability of credit and a higher cost of borrowing. These are signals for all borrowers to see, to heed, and to cause a reexamination of their projected spending plans. The signals will not result in the most constructive result, however, if the borrowing elements in the community do not, in fact, review their programs and take steps to postpone or otherwise to economize on less essential outlays.

Stability can only be achieved by the whole community acting in harmonious response to the facts of each individual situation. The potential future before this economy is unbelievably bright, but that potential will not be realized if, as a community, we disregard the plain meaning of facts that are there for all to see. Today the situation calls not for expedients or palliatives to alleviate the impacts of higher interest rates but for constructive response to those rates, constructive in the sense of increased saving and sober review of projected expenditures. Although it is impossible to put a dollar figure on potential demand, the gap to be bridged between saving and projected investment expenditures is probably not very large. It must, however, be bridged, not by panic curtailment but by judicious rescheduling of outlays on the part of all of the major elements of our community — consumers, industry and government.

Securities Salesman's Corner

By JOHN DUTTON

This Week's True Story

The results that come from consistent, cumulative efforts when applied intelligently in sales work are often surprisingly gratifying. One of the best assets any securities salesman can possess is the patience to follow along sound lines and build constructively even when the temptation to follow other alluring short cuts present themselves. It is easy to build up a clientele based upon the human desire to obtain a quick profit or to "get something for nothing." But such a foundation will not stand the test of time nor the adversities that are part and parcel of the economic cycle. It is tempting to try and confine your activities to the solicitation of business among the larger accounts and to neglect the smaller investor. It is the slow and patient building of a clientele, based upon the idea that you are in business "to help people" that is sometimes difficult to pursue when other avenues offer alluring promises of higher immediate rewards.

The Reward of Consistency

In relating this story you will pardon the reference to my own particular experience—such cases as the one I am to relate here are happening every day in all phases of sales work, in and out of the investment business. I just happen to be familiar with the facts as they are and pass them along as a reminder to other men who have the same fundamental philosophy and share with me the ideas which I consider to be sound security merchandising.

Several years ago I met a retired woman who had limited resources and a modest portfolio of good securities. Her income was improved over a period of time and certain changes were suggested in her investments that were fortunately sound and profitable. The commission earnings of the account, however, barely covered the time and effort expended in assisting her with other problems that she would on occasion bring before me. Each year I prepared her income tax and helped her with certain other records she needed for county, city taxes and assessments. Then there was the matter of consultation from time to time regarding her securities which gave her peace of mind even though it rarely resulted in any changes in her investments that would have produced some commissions.

Several of her children had small savings and I carefully invested these sums in some Mutual Funds and one or two growth common stocks. The amount involved was small, yet I tried to take the same interest and give the attention to these investments that I would have shown if the commissions had been substantial instead of almost negligible. One day I received a phone call from one of the children who had obtained a position working for one of the large airlines and she told me she had recommended that one of the young men, also working there, should make some investments and he eventually began to buy some common stocks in limited amounts. Several other employees of this same company also opened modest accounts, but by and large the business was still not profitable considering the work involved, even though it was handled entirely by telephone.

Pay Day

Several weeks ago I received a telephone call from the young man at the airline. By now I had been doing business with him for several years. He asked me if I would be able to come to his home some evening and meet his father and mother. They were people of substantial means, but all these years they had saved and invested in real estate and government bonds. But he had been talking with them. He told them of my interest, going back several years to the retired woman client who had originally started this little chain of small investor clients, and he impressed them with the fact that they should own some securities and that they should talk with me.

Last week I received my first order from his parents. It is the forerunner of substantially more business to follow. After over three years of consistent effort we have at last begun to capitalize upon a policy which I believe to be the best kind of salesmanship there is — DO THE BEST JOB YOU CAN FOR EVERY CUSTOMER, LARGE OR SMALL, AND STICK TO IT DAY IN AND DAY OUT.

Take care of your customers and your business will take care of you!

Geddes, Andrews Formed

GRAND JUNCTION, Colo. — Geddes, Andrews & Co. has been formed with offices at 2632½ F Road to engage in a securities business.

Continued from page 6

Our Responsibility as World's Dominant Economic Power

tween the Legislature and the Executive, the extent to which the Legislature has moved into the field of foreign affairs is fascinating to observe, but it is not very comfortable to those who have to administer the programs. There was a time when the Secretary of State could manage his Department and his affairs relatively free of the supervision and the direction of Congress. There was a time when Congress was quite content to allow a Root or a Stimson to play along in foreign affairs as long as he did not come forward with a treaty to be ratified; but no longer. Congress in those days was almost exclusively interested in domestic issues, but the presently intriguing character of foreign affairs, their impact upon the thinking of the people, the frequent missions of our Congressmen abroad; all these things have induced our legislators to adopt far too detailed legislation and as a result to place too many burdens and handicaps upon the day-to-day conduct of our foreign relations.

Another point I would like to stress is the necessity for the continuity of these programs. Here again the jealousy of Congress for its prerogatives interferes with a certain continuity. Another thought that I perhaps should refer to: we were able to achieve a certain continuity of program through the authorizations and the appropriations system in the Marshall Plan and I would urge that such a system be applied if we are to have a program for the underdeveloped countries.

Naturally you have to have a very effective and enlightened administration of the program or else your projects are wasted and your money is wasted. I know that this is a very easy thing to say and a hard thing to accomplish. It is so difficult to find men equipped to do this type of work. We just don't have the reservoir of men skilled in language and experienced in the customs of these countries. It is increasingly difficult to detach a person, when you do find him, from the job in which he already finds himself. Nor are there in government near enough good experienced men to go around. As I say, mediocre administration is the death of many a project. The trouble is that these jobs are most exacting. They require very high talents and supreme tact, together with an inexhaustible willingness to put up with frustrating and exasperating inconveniences. I would like to say a word here for some of the people, men and women, who serve the country in this type of work. Devoted, selfless, patient, they deserve much of their country's praise. Nothing irritates me more than to hear some people at home, comfortably situated, speaking of the fumbling and the inefficient character of these agents in the field, when all the king's horses and all the king's men could not induce the complainers to take any part of the unspectacular and monetarily unrewarding work and inconveniences which attach to so many of these jobs.

There is another thing that I think is rather interesting to note, particularly in connection with the recent events in the Middle East, and it may have some importance and effect on our future programs. I refer to the progress which has been made towards the concept of a common market in Europe and the extension of the steel and coal community to the production of nuclear energy. Certainly great accent has been placed upon that recently by reason of disclosure of the heavy dependence of the European economy on Middle East oil.

Alternative Energy Sources

The good Lord has seen fit to place what appears to be approximately two-thirds of the oil resources of the world in certain sections of what is known as the Middle East and to place those reserves very close to a highly strategic waterway, the Suez Canal. But as things go in this world, the ingenuity and the energy of man sooner or later finds a solution to any bottleneck problem. In former times the long established caravan routes running through this very area were abandoned and the cities along them became quaint ruins once trade found newer and easier channels to follow. Now great stress is being placed today on all sorts of alternatives, whether it be the large tankers or the new pipelines and more and more capital is being devoted and directed to the production of nuclear energy in Europe. It will be, of course, a long time indeed before any of these become satisfactory alternatives but Europe's eagerness to develop a new source of energy may point to a type of aid that we can contribute to.

Europe will certainly have to look to us for fissionable material and reactor knowhow. I think we must promptly look at some of the restrictive clauses that we have in our atomic energy statutes, to see whether or not they protect our security, or whether with the wide knowledge now of technical matters in connection with that development, we couldn't very well be more liberal in connection with the export of fissionable material and particularly with certain aspects of knowhow. I do believe that in the European tradition of high and profound research, we have quite as much to gain from them as they from us.

We will always need the Middle East oil, but I think we ought to do everything we possibly can to help Europe balance out her sources of raw materials. It is intolerable, no matter what the political situation may be, that an area as vigorous and as dynamic as Western Europe should be so dependent upon such a tight bottleneck. Turning to the Suez Canal for a moment, I really believe that Egypt will observe and appreciate that, if she is to have the full potential value of the use of the Suez Canal, it will be necessary to convince the world that this waterway is being run without discrimination, is being well maintained and that shippers can confidently assume that their cargos will go through without any impediment. I hope and I feel that this is perhaps our best hope for a solution—an ultimate solution of the Suez Canal problem.

Clearing the Canal

Perhaps I should interject here something about the problem of clearance of the Canal. Thanksgiving Day Mr. Hamjarskold asked me if I could come up and see him because he wanted to get a little help in connection with the clearance of the Canal. At that stage practically every resolution was going through the United Nations and ending up in the lap of the Secretary-General. He said he never cleared a Canal before. Well, I suggested that it would be a case of the blind leading the blind, for neither had I. He said he would like to find somebody that he would be sure would do a good job. Well my first instinct was to go out and see Lucius Clay who had been my predecessor in Germany and who, when I was in the War Department, was designated to clear Cherbourg Harbor. Cherbourg Harbor was about as big a mess in terms of sabotaged and sunken vessels than anything I'd ever seen. The Germans, by the way, did a much better job on lousing up that situation than the Egyptians did on the Suez Canal. Lucius Clay in a very short time cleared that Harbor and did a very impressive job indeed.

Well, Clay and I got our heads together and we made up our minds that the best man we could find was General Wheeler, better known as Spec Wheeler, and he's the man in charge of the job out there now. Wheeler in the course of other positions of distinction was a member of my division in the First World War. He was an Engineer Officer then. Later he was in charge of the Panama Canal. He ran it for three years or so and removed some obstructions in it when a ship was sunk there at the time. He was consulting engineer for the World Bank. Involved in all its projects around the world, he built the Lido Road. Wheeler's a man who is not only a very skillful engineer but also used to dealing with civilians and aware of some of the forces that play around the international scene. I couldn't imagine—I couldn't think of anyone who was better equipped than General Wheeler to do this job and I think we can all gain a good bit of confidence in the fact that he is on the job.

Wheeler knows his business and if he says he can clear the Canal by a certain date, I think he really can. It has been difficult to survey the Canal I am told, but now he has a very important salvage fleet at his disposal which he is able to distribute along the entire length of the Canal. He can work on these sunken ships simultaneously. This ought to greatly expedite the clearing of the Canal and I've had some good news this morning to the effect that the latest check up indicated that a number of wrecks that they supposed were there from their aerial survey turn out not to be existent. There are some mean problems down the Canal that have to be taken care of, but I'm sure that with the salvage equipment that we have and with General Wheeler in charge, it won't be too long before we've got a clearance through there.

The British and the French ships, of which you heard so much talk, are in the main, still up in Port Said. They are still at work. They still have a big job to do there; indeed the work is only about half done. There hasn't been any undue delay in the clearance of the Canal. After all a good bit of shooting took place in that particular area, and you can't clear the atmosphere overnight, but I do believe that the Canal is being cleared as rapidly and as expeditiously as it is humanly possible to do so.

Ultimate Suez Solution

I think that the real test will come when someone has to work out the ultimate solution of the whole Suez Canal problem. I am happy to say I think you have seen in the newspapers that the United States has advanced the sum of $5,000,000 for the initial operations of the clearance of the Canal. Other countries have indicated that they will contribute sums that are at least proportionate to the United States contribution. Indeed, just as I left my office today I heard that Germany had made an advance. The amount of money that we will raise initially will not do the whole job because the whole job involves not merely clearance but the re-establishment of the shops which were sabotaged as well as the resupply of an entire auxiliary fleet consisting of tows, tugs and dredges which serve to maintain the flow of traffic through the Canal.

I've dwelt on the Canal because it is so important to trade in the world, but I don't think that I ought to talk any more about the Middle East situation. It's as complex as it possibly can be with all the passions that involve the oil producing countries, particularly the attitude of Syria through which the pipeline goes. The situation of Syria is quite as serious as that of the Suez Canal itself; 500,000 barrels a day used to go through that country's pipeline. That pipeline is now severed and several pumping stations have been destroyed. This is not Syrian oil that is going through there; it is Iraqi oil and it goes up to Lebanon but this is about as high-handed an interruption as anything else that has occurred in that area. Of course we shall have to watch that.

But I would urge you not to take your eyes off Europe. Europe is still the dynamic center of the economy and the thought of the free world. We are all creatures of our own experience and we think back on our own experience. I call your attention to the situation in Germany. We have in Germany, a new election coming up this year. I don't know what Chancellor Adenauer will do. He hasn't confided in me, but if I know Chancellor Adenauer, with all due deference, I would say that he will run again, if he continues with his present good health. Germany, of course, has been very fortunate indeed to have a man like Adenauer with his stamina and with his wisdom. It has been one of the very great boons of the postwar period that such a statesman as that was on the scene. But Germany is fraught with problems: the unification of Germany; what would happen in East Germany if there were riots similar to those which occurred in Hungary? Germany, for whatever may have happened in the Far East or whatever may happen in the Middle East is still sort of a cockpit between the East and the West and the struggle for the soul of Faust has been going on over that area for a long time. I think we can all take comfort in the fact that Germany has now a well established system of government which is really well seated, well established and popular in the minds of the people at large.

Praises Eden and Macmillan

I would like to say just a word before I close, on the change in the British Government. I was saddened at the news that Sir Anthony Eden had seen fit to resign. He had a long and distinguished career. Anyone who served through the First World War as an Infantry Officer must have been under strains that few of us have had in a lifetime. Since then he has been in public service and he has served his country well. The courage that he displayed over the Ethiopian incident will forever stand to his credit. I think that in his resignation we all have to admit that this man gave of his own energies and of his spirit and of his health to the service of a country which commands our respect and our admiration. I have had the good fortune on a number of occasions to work with him and I am sure that I speak for most of the people here before me when I say that I certainly wish him well in whatever career he follows and hope that he finds real satisfaction in the record that he has made.

Harold Macmillan is another friend, a man who I ran into first in North Africa shortly after we landed. Just as my plane was coming onto the air field, we noticed another plane that was burning on its takeoff. Harold Macmillan, who was then the top British officer in Algiers, and his French counterpart were taking off when the plane caught fire. Everybody got out of the plane—they thought, but upon counting noses they found that the French High Commissioner was still in the plane. Harold Macmillan turned around and ran into that blazing plane and pulled this man out. A very gallant feat of arms. You don't need to suspect Harold Macmillan's courage. He's a tough man; he's a member of that Macmillan publishing firm and he's a doer. He comes from the island of Arran, that very rugged island off the coast of Scotland which I'm told that my forbears on my father's side came from. He told me many times about the character of the island. He told me once that there is a cave there known as McCloy's Cave and inasmuch as all caves in that area were used by smugglers, it rather points to the fact that the family did not enjoy what might be known as respectability amongst the more law abiding citizens of the island. So I think that we can take comfort in the fact that Harold Macmillan is to be at the helm of the British ship and we all can hope that it does mark a better understanding and a better coordination of policy than we have enjoyed in the last few weeks.

The strain on these men that hold such high positions is such as to command our great respect. I think that more of what happens in 1957 will depend upon these statesmen than on the opinions of all of the economists, analysts and certainly the bank Chairmen than we gather here tonight via the Chamber of Commerce of Greater Philadelphia. I remember when I once was going to make a speech out in the West not long ago. I made a very profound analysis of the international situation, I thought I had done a good bit of preparatory work and was just about to read it before a Bankers Convention when, lo and behold, the Israelis jumped off and everything that I had in my speech was just contrary to the events! I got up on the platform and I was a speaker in search of a speech, somewhat as I am tonight. So, I just give you warning that with all these panels that you have had here today and with all the bank Chairmen who have been telling you about automobile production and what will happen in 1957, some d--n fool force might come along in this world and repeal everything that you learned. So I just urge you to be alert, do your best under all the circumstances, and absorb all the wisdom that you have learned today; but also be aware that there are great forces playing around the world of which you really must be cognizant as well as the statistics which relate to your particular industry.

Cashiers Elect

Howard W. Summer, of Halsey, Stuart & Co., has been elected President of The Cashiers Association of Wall Street, Inc., it was announced following the annual meeting of the association.

Edward H. Devlin, of Green, Ellis & Anderson, was elected First Vice-President; C. Russell Berger, of G. A. Saxton & Co., Inc., Second Vice-President; William R. Muller, of New York Hanseatic Corp., Treasurer, and Matthew P. Deane, of L. F. Rothschild & Co., Secretary.

Elected directors of the association were James G. Baldwin, of Marine Midland Trust Co.; George Boggiano, of R. S. Dickson & Co. Inc.; Anthony J. Kawathy, of P. F. Fox & Co.; John J. Kelly, of the National Association of Securities Dealers, Inc.; Peter Krysko, of Allen & Company; Robert A. King, of Shearson, Hammill & Co.; James A. McCorkell, of F. Eberstadt & Co. Inc.; Fred Santi, of Henry Montor Associates, Inc.; Walter F. Sullivan, of J. K. Rice, Jr. & Co.; and Chester F. Ward, of Cities Service Co.

Continued from page 15

News About Banks and Bankers

$1.80 a share on each of the new shares, and represents an 8% increase over the $5 now paid on present shares.

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The capital of the **Riggs National Bank of Washington, D. C.** was increased effective Jan. 8 to $8,000,000 from $7,250,000 as a result of a stock dividend of $750,000. Plans to enlarge the bank's capital were noted in our issue of Dec. 13, page 2515.

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Under date of Jan. 9 the Board of Directors of the **National Bank of Commerce of Norfolk, Va.** announces the promotions of the following officers: Banking Department—To Senior Vice-President: T. H. Nicholson, B. C. Carr, R. Cosby Moore, W. G. Gornto, A. R. Ives, J. F. Ross, Jr., N. G. Poerstel, C. R. Bryant, B. Bragg Ricks and F. P. Lawler; to Vice-President: J. A. Holland, A. L. Harwell, W. H. Black and W F. Styron; to Cashier: R. M. Schonk.

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Stockholders of **The Cleveland Trust Company of Cleveland, Ohio** at their annual meeting on Jan. 16 approved a stock dividend in the ratio of one share for every seven held. This will be accomplished by increasing the bank's capital stock from $17,500,000, consisting of 350,000 shares of $50 par value each, to $20,000,000, in 400,000 shares of $50 par value each. This increase will be effected by converting $2,500,000 of surplus into the increased capital stock. The additional 50,000 shares will be used for the stock dividend. As a result surplus will be $65,000,000, and the combined capital stock and surplus will remain unchanged at $85,000,000. Board Chairman I. F. Freiberger and President George Gund in their joint statement reported that net current operating earnings, after Federal income tax were $9,986,981, equal to $28.53 per share, as compared to $7,146,204, equal to $20.42 per share, in 1955. They stated that "during the year, $10,000,000 was transferred from undivided profits to surplus, thus bringing capital and surplus to $85,000,000. Our legal limit on loans to any one borrower" they added "was thereby raised to $8,500,000." They also reported that "higher interest rates and increased demands for credit contributed to record operating earnings. Loans of $734,467,252 were at a new, all-time high, showing an increase of $98,427,005. Interest from loans accounted for 59% of 1956 gross income. At the year end, total deposits of $1,389,411,539, a new high, showed a gain of $35,948,832 over 1955."

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Prof. John Philip Wernette, economist, author and educator, was elected to the board of directors of **The Ohio Citizens Trust Company of Toledo, Ohio** on Jan. 16, it was announced by Willard I. Webb, Jr., President. He will serve also as Economic Consultant to the bank. Mr. Wernette is Professor of Business Administration at The University of Michigan, where he teaches courses in business and Government, and also is editor of "The Michigan Business Review." Prof. Wernette has served as a Financial Advisor to the Governments of Peru and Columbia; studied the British banking system and general economic conditions in Europe, and in 1955, at the invitation of the State Department, made a 13,000-mile lecture tour of South American capitals, discussing the private enterprise system as a factor of economic progress.

* * *

THE CENTRAL BANK COMPANY
LORAIN, OHIO

	Dec. 31,'56	Dec. 31,'55
Total resources	$18,590,308	$16,183,000
Deposits	17,278,999	14,999,000
Cash and due from banks	2,716,293	2,387,000
U. S. Govt. security holdings	6,424,910	6,057,000
Loans & discounts	8,425,547	6,968,000
Undivided profits	125,117	73,000

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At their annual meeting on Jan. 14, stockholders of **The Northern Trust Company of Chicago, Ill.** increased the number of directors from 10 to 12. Elected to fill the additional board memberships were Harold Byron Smith, President of Illinois Tool Works, and J. Harris Ward, Executive Vice-President of Commonwealth Edison Company.

On Jan. 15 the directors of The Northern Trust Company, at its annual meeting ejected Solomon A. Smith Chairman, Solomon B. Smith Vice-Chairman, and Edward Byron Smith President. These officers constitute the executive officers of the bank. The directors also made the following promotions of members of the bank staff: To Vice-President — Gordon Arey, Trust Dept.

To Second Vice-President — Stacy H. Hill and Morton L. Monson, Jr., Banking Department, William A. Stenson, Investment Research Department; Laurence M. Rieckhoff, Bond Department; and John F. Place and John P. Byram, New York representatives.

To Manager of Operating Department Divisions—Allen J. Burris, E. Melvin Ellingsen, Emil A. Fandell, Stuart Hamilton, John E. O'Loughlin, and Arthur E. Pekie.

To Attorney, Legal Department —J. Gordon Henry, formerly Assistant Manager, Administrative Department.

The following new officer appointments were also made by the Board of Directors; Willard C. Smith, Jr., Assistant Cashier, Banking Department; Clayton F. Brown and Philip W. Sweet, Jr., Assistant Managers, Bond Department; Robert M. Coddington, Thomas N. James, and Layton D. Karst, Assistant Managers, Operating Department; James E. Baker, Assistant Manager, Administrative Department; and Richard M. Burridge, Assistant Manager, Investment Research Department.

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The issuance on Jan. 8 of a charter for the **Gateway National Bank of Chicago, Ill.** by the Comptroller of the Currency at Washington was announced on Jan. 14. The capital is fixed at $500,000 with surplus at $250,000. The primary organization consists of William C. Howell, President and Bernard L. Weber, Cashier.

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The City National Bank & Trust Co. of Chicago, Ill. increased its capital from $7,000,000 to $8,750,000 as of Jan. 8. The capital was enlarged as a result of a stock dividend of $1,750,000.

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Paul W. Goodrich, President of **Chicago Title and Trust Company, of Chicago, Ill.** announced on Jan. 15 that two new Vice-Presidents were elected at the annual meeting of the company's board of directors. All present officers of the company were reelected. Earl W. Evanger, Accounting Officer, was elected a Vice-President in the Administrative Division. Mr. Evanger became associated with the company in 1927 and he was appointed Accounting Officer in 1946. Robert C. Lee. Trust Officer, was elected a Vice-President in the Trust Division. Mr. Lee joined the company staff in 1934. He was appointed Assistant Trust Officer in 1946 and Trust Officer in 1951.

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Lawrence F. Stern, Chairman of the Board of the **American National Bank and Trust Company of Chicago** announced recently the appointment of Gerard E. Keidel to the post of Vice-President. Mr. Keidel, Manager of the bank's Foreign Department, has been with American National since 1946 prior to which he was associated for 18 years with the **Guaranty Trust Company of New York.** He is active in Chicago foreign trade organizations.

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I. C. Steinlage, Vice-President of Quality Dairy Company, was elected a director of **Baden Bank, of St. Louis, Mo.**, it was announced by James A. Reid, President, at the bank's annual meeting on Jan. 15. All other officers were re-elected.

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Six new officers of **St. Louis Union Trust Company of St. Louis, Mo.** were elected by the board of directors at its recent meeting, David R. Calhoun, Jr., President of the company, announced on Jan. 13. H. Carl Lutz, a member of the company's Income Tax Department, and Walter A. Roennigke, of the Probate Department, were elected Trust Officers. Mr. Lutz has been with the company since 1935, and Mr. Roennigke, since 1929. F. E. Helbig, who has been a member of the Treasurer's Department since 1931, was elected an Assistant Treasurer. C. Wesley Bentrup, Manager of the Tabulating Department, Clarence D. Miller, Investment Department, and Robert W. Waller, Manager of the Accounting Department, were elected Assistant Secretaries. Messrs. Bentrup and Miller have been with the trust company since 1929. Mr. Waller joined the company in 1927.

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William A. McDonnell, President of **First National Bank in St. Louis**, was elected Chairman of the Board, and James P. Hickok. Executive Vice-President, was elected President on Jan. 8 by the bank's Board of Directors in a session following the annual meeting of stockholders. Mr. McDonnell, who has been President of First National since 1948, will continue to serve as the bank's chief executive officer. The office of Executive Vice-President, he announced, will not be filled at this time. At the annual meeting of stockholders, Mr. McDonnell reported that First National's deposits at the end of 1956 totalled $611,089,000 and that net earnings for the year amounted to $3,557,000 or $4.62 per share on 770,000 shares outstanding. First National's stockholders elected two new directors. They are: James S. McDonnell, President, McDonnell Aircraft Corp., and M. Moss Alexander, Chairman of Board and President, Missouri Portland Cement Co.

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Harry J. Michaely has been named Cashier of **First National Bank in St. Louis, Mo.**, it was announced on Jan. 3 by William A. McDonnell, the bank's President. Mr. Michaely started his banking career in 1909 with the old **Third National Bank**, one of First National's predecessor institutions. He was made Assistant Cashier of First National in 1946. Mr. Michaely succeeds Irving M. Lonergan who retired as Cashier on Dec. 31. Announcement that Mr. Lonergan had retired was made in our Jan. 17 issue, page 23. Mr. McDonnell announced several other promotions. John Vuch, Jr., Assistant Cashier, was promoted to Assistant Vice-President; Andrew H. Muelhauser was named Assistant Cashier and Manager of the savings department to succeed Leo. F. Ryan who retired at year's end. Mr. Ryan's withdrawal was also indicated in the Chronicle of Jan. 17, along with that of Mr. Lonergan. Earl Srenco and Earl G. Reifeiss of the bank's installment loan department were appointed Assistant Cashiers.

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Frank Fuchs, Sr. has been elected Vice-President of the **Cass Bank & Trust Company of St. Louis, Mo.** by the bank's board of directors, according to Harry C. Hartkopf, President. Mr. Fuchs, who was formerly associated with **First National Bank in St. Louis** as Vice-President in charge of the bank's Western territory, will be active in business development and public relations in his new assignment. Prior to taking over the Western territory for First National, he travelled for the bank in Missouri and served the Missouri Bankers Association in numerous capacities. Mr. Fuchs has spent his entire banking career with First National Bank and its predecessor institutions.

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Ten promotions at **City National Bank & Trust Co., of Kansas City, Mo.**, have been announced by R. Crosby Kemper, Chairman and President. The board of directors elected four officers to the rank of Assistant Vice-President. They are: Col. R. E. M. des Islets (ret.) who has been an Assistant Cashier in the Commercial Department. He has been with City National since 1953; Bror W. Unge, who has added the title of Assistant Vice-President to that of Manager of the bank's Foreign Department. He has held the latter position since 1945. A native of Stockholm, Sweden, Mr. Unge is now Swedish Consul for Missouri and Kansas; Robert W. Sears and Marion K. Mabry, both in the Installment Loan Department. Both came to the bank in 1941 and have worked in transit, bookkeeping and other departments of the bank. Two other Installment Loan Personnel have been elected Assistant Cashiers. They are Howard L. Oliver and Ralph E. Gray. Other new Assistant Cashiers are John Lyle Wells, Jr., and Martin A. Bertsch. Mr. Wells for the past year has been a trainee in the Credit and Commercial Departments of the bank. Mr. Bertsch has been with City National since 1947 and is now an Insurance Loan Officer.

Two promotions were announced in the bank's Trust Department. James R. Bocell has been advanced from Trust Operations Officer to Personal Trust Officer and James A. Broaddus from Assistant Trust Operations Officer to Trust Operations Officer. Mr. Bocell came to City National as a messenger in 1940. Mr. Broaddus joined the Trust Department staff in 1955.

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The Board of Directors of **Deposit Guaranty Bank & Trust Company of Jackson, Miss.** announced on Jan. 8 the election of W. M. Mounger as Vice-Chairman of the Board and Chief Executive Officer: W. P. McMullan as President: Russ M. Johnson as Executive Vice-President; N. S. Rogers as First Vice-President, and Horace Steele and Howard Swann as Senior Vice-Presidents.

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Election of Fred F. Florence, President of the **Republic National Bank of Dallas, Texas** to the position of Chairman of the Executive Committee and Chief Executive Officer of the bank, and James W. Aston, Executive Vice-President, to the position of President and a member of the Board of Directors, was announced jointly by Karl Hoblitzelle, Chairman of the Board, and Mr. Florence, following the Jan. 15 meeting of the Board of Directors of the bank. Mr. Hoblitzelle emphasized that Mr. Florence will continue to be the "active, vital figure he has always been" in the bank, its management, operation and policies. "These official changes are in keeping with the recommendation of Mr. Florence, and in line with the long-range program of successive management for banks, which he so ably advocated during his recent tenure as President of the American Bankers Association," Mr. Hoblizelle pointed out. Mr. Florence began his banking career in 1907, and became associated with the Republic National Bank in 1920, three months after it was opened for business. He was elected President of the bank in January, 1929, and has served in that capacity since that time. The capital and surplus of the bank has grown from its original amount of $100,000 to $75,000,000. Mr. Aston resigned his position of City Manager of Dallas on military leave to accept his appointment as a Vice-President of the Republic National Bank on Dec. 1, 1945. During the construction of the New Republic National Bank Building, Mr. Aston assumed supervision of same for the bank. Mr. Aston was elected Executive Vice-President of the bank Dec. 13, 1955.

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Stockholders of **Valley National Bank of Phoenix, Ariz.** at their annual meeting on Jan. 15 (1) heard President Carl A. Bimson describe 1956 as "a year of all-time highs—which found our deposits, loans, capital funds, total resources and earnings bettering all previous figures." (2) They approved the issuance of 105,000 additional shares of common stock to be offered to stockholders on the basis of one new share at $23 for each 12 now held; (3) Ratified the proposed merger of the **Bank of Flagstaff** into the framework of the **Valley Bank;** (4) Elected three new directors and re-elected the present 19 directors, increasing the board to 22. New directors are John G. Babbitt, Flagstaff mercantile and livestock executive; Norman Fain, Prescott farmer-rancher, and P. D. I. Honeyman, Vice-President and General Manager of the Inspiration Consolidated Copper Co.

Mr. Bimson, in his annual report, noted that Valley Bank's gross income in 1956 totaled $18,443,000—up 15.3% over 1955. Operating earnings amounted to $5,603,000—up 21%. Based on 1,260,000 shares currently outstanding, 1956 earnings before adjustment were reported as $2.32—compared with $2.06 in 1955. Deposits were up $49 million and loans outstanding increased, it is stated, $28 million. Capital funds of the bank now aggregate $25,672,772—compared with $24,329,111 at the end of 1955, he reported. Merger with the Bank of Flagstaff, it is stated, will add $5,720,000 in deposits to the 43-office VNB system. As of Dec. 31, 1956, Valley Bank deposits stood at $411 million—an all-time high for both Arizona and the Rocky Mountain area, President Bimson pointed out. Subscription period for the new stock issue will close Feb. 1, the Valley Bank President said.

W. E. Flynn Opens

BUFFALO, N. Y.—William E. Flynn is engaging in a securities business from offices at 674 Northumberland Avenue.

Form Inv. Underwriters

ATLANTA, Ga. — Investment Underwriters, Inc. has been formed with offices in the Candler Building to engage in a securities business. Rodger H. Bell is President and Philip H. Dohn, Jr., Secretary-Treasurer.

McManus & McManus Formed in Texas

SHERMAN, Texas — McManus & McManus Co. has been formed with offices in the M & P Bank Building. Lee J. McManus is a principal.

Continued from page 5

Proposed SEC Rule Changes

profit of nearly $4,500,000. Long-distance telephone bills aggregated $425,000. The losses on these securities at today's market value would approximate at least 75% of the original cost. These facts have caused us real concern because for the first time since the roaring 20's, public investors have lost money because of fraud, misrepresentation and high pressure salesmanship.

This course of conduct, using the present Rule 133, if allowed to continue, can, in my opinion, destroy investor confidence. I hardly need to remind you of the following additional facts:

American industry must raise $10 billion to meet its estimated expansion needs for 1957. Bank loans and real estate financing in today's tight money markets will supply only $2 billion of this amount. New equity and debt securities must, therefore, be the source of the other $8 billion. The use of Rule 133 to facilitate the sale of unregistered securities by "boiler rooms" is shaking investor confidence at this time when American investors are the key in sustaining the tremendous economic activities of this country.

It is the purpose of the proposed Rule to act as a deterrent to bogus mergers employed to circumvent the securities acts. This Commission has been handicapped in its enforcement work due to the absence of knowledge of these mergers until long after the underlying securities have been distributed, at which time no protection, in the practical sense, can be afforded public investors. To repeat: the proposed rule will not preclude the negotiation or consummation of bona fide mergers. I feel that these facts must be taken into consideration in order to evaluate properly the significance of the proposed change in Rule 133.

There are other revisions to rules presently out for comment and one of these concerns the acceleration policy, about which you all, I am sure, are vitally interested. Section 8(a) of the Securities Act of 1933 was revised in 1940 by Congress to grant this Commission the discretionary authority to accelerate registration to a period shorter than the prescribed 20 days. At the time of the enactment of the Securities Act of 1933, Congress expressed itself strongly about this 20-day "cooling-off period" to eliminate underwriting commitments made "blindly" and which "resulted in the demoralization of ethical standards" as between underwriter and the public purchaser to whom the underwriter had to look to take such commitments off his hands. The relaxation of the "cooling-off period" by the 1940 amendment set forth certain statutory safeguards within which this discretion to accelerate was to be exercised. Amongst these standards are: (1) the extent of information previously available to the public; (2) the ease with which the nature of the securities may be understood; and (3) the ease with which the rights of the security holder may be understood.

It is clear that Congress did not intend this Commission to exercise this authority casually. Acceleration may be granted only where it is in the public interest and consistent with the protection of investors and not as a matter of course or of right.

Rule 460, in its present form, sets forth the steps to be taken in distributing a preliminary prospectus permitted by Rule 433. The proposed note to Rule 460 relative to the Commission's acceleration policy describes situations in which the Commission, as a matter of administrative practice, has not granted acceleration. The additional note would merely state these administrative policies which have been developed since 1940 and adhered to when acceleration is considered. This new addition to Rule 460 applies to the following situations:

(1) *Indemnification provisions:* Where the registrant, that is the company, agrees to indemnify its officers, directors or controlling persons from liabilities arising under the Securities Act of 1933, acceleration may not be granted. The Commission regards this indemnification as unenforceable because Congress dictated otherwise by Section 11 of the 1933 Act, which imposes liability specifically against these very persons. Acceleration, therefore, may not be granted except where the parties agree that any claims of indemnification would be submitted to a court of appropriate jurisdiction.

(2) *Investigation:* Where the Commission is investigating the registrant, or its affiliates, acceleration may be denied.

(3) *Liquidating preference of preferred stock:* Where the liquidating preference exceeds the preferred's par or stated value and no agreement is made to restrict surplus to the point where combined with capital it would at least equal this liquidating preference, there is a basis for not granting acceleration.

(4) *Secondary distributions:* Where individual stockholders do not pay their proportional shares of expenses, the Commission may not grant acceleration.

(5) *Net capital rule violation:* Where one or more of the underwriters is in violation of the net capital rule by the underwriting commitment, acceleration may not be granted. The net capital rule is designed to protect investors by providing certain minimal standards of financial responsibility of brokers and dealers, i.e., for each dollar of assets, a broker-dealer cannot have more than $20 of debt.

There are other areas where acceleration may not be granted, such as activities by persons connected with an offering which may tend to raise artificially the market price. This we all call "manipulation." Also, where there is indemnification of the underwriter, there may be a basis for the refusal to grant acceleration.

All but two of these provisions have been standard Commission policy. The two recent innovations are the net capital and the investigation provisions. These acceleration policies we find necessary in order to offer the public greater protection, which, in turn, adds to investor confidence, the keystone to healthy securities markets.

In 1954, the Congress amended Section 10(b) of the Securities Act of 1933 and authorized the Commission to adopt rules and regulations permitting the use of a form of prospectus which summarizes information that must be set forth in a complete Section 10 prospectus. This amendment was urged most strongly by the securities industry.

Since the enactment of the new Section 10(b), the Commission promulgated Rule 434, in November 1955, which permits certain independent statistical services to distribute on cards or bulletins a fair summary of information contained in a preliminary prospectus as filed with the registration statement.

On Nov. 23, 1956, about 60 days ago, Rule 434A was adopted by the Commission, which further implements Section 10(b). The Rule provides for the use of a summary prospectus by certain issuers under certain conditions. The new Rule, as of necessity, required careful consideration. Particular problems were raised by historical reference to the 1920's when one-page advertisements and brochures were a means used in the distribution of securities. These brief solicitation materials were frequently false and misleading and part of the mechanism of "stampeding" investors to facilitate a quick distribution of securities.

However, we were not unmindful of the desire of industry and the financial community to provide a shorter, summarized document which could be mailed, printed in newspapers, and otherwise distributed to the public during the waiting period and would be more likely to be read and understood by the public. Although these objectives are commendable, the Commission must always be alert to the dangers of over-simplification and omission which must inevitably accompany summarization and consolidation. The Rule is, therefore, limited to registrants filing on Form S-1, or in the case of institutional grade debt securities, on Form S-9; and where at the time of the filing such registrants are required to file reports under Section 15(d) of the Securities Exchange Act of 1934, or as listed companies on a national securities exchange, they are subject to the filing and reporting provisions of Sections 13, 14 and 16 of the Exchange Act.

Rule 434A is on trial, if I may use legal vernacular. If it proves successful, it may be broadened to other classes of issuers. However, any abuse resembling the evils of the 20's in any way would certainly call for consideration of revision or limitation of the Rule.

It is our hope that the summary prospectus will be used to secure that broad dissemination of information about new issues which you and we have always heartily endorsed, and which is consistent with the original policies of the Acts to get information to prospective investors during the waiting period. We hope that the summary prospectuses prepared will be fair, honest and adequate. Abuse of the Rule must inevitably lead to the use of the suspension power reserved to the Commission in the amendment to the statute. If it becomes necessary for the Commission to exercise the suspension power with any frequency, it will be difficult for the Commission to continue the Rule in effect, so we hope that the investment banking profession and your corporations will do all in their power to make the summary prospectus rule work well in the interest of public investors.

In conclusion, let me leave these final thoughts with you. Congress enacted the truth in securities laws to protect investors against misrepresentation, manipulation and other fraudulent acts and practices in the purchase and sale of securities and to assure to investors free and fair markets in which their securities can be traded. In accordance with the Congressional mandate, this Commission is always attempting to obtain fair disclosure of the material, fundamental facts and figures, both financial and background, of corporations offering or selling securities to the public in interstate commerce so that the purchasing public investors can have an informed judgment at the time of their purchases. But Congress, in my opinion, wisely determined that the SEC should not pass upon the merits of particular securities.

Surely we all recognize that the real stability of our capitalistic economy realistically depends upon the proper functioning of the capital markets and only if the public has confidence in the whole capital formation process can the vast savings of the public be siphoned into American corporations in the needed amounts averaging between $7 to $8 billion annually.

It is my sincere belief that if the confidence and faith of the American public in the capital markets are to be maintained so that the needed supply of capital can be continued at the high rate anticipated by present estimates of industrial production, with the resultant high standard of living for the American people, it is essential that this Commission continue its close supervision of the capital markets in accordance with the Congressional mandate expressed in the Federal securities laws so as to insure integrity and fair dealings, and thus to contribute to the success of our free enterprise system and the welfare of all our people.

Continued from page 12

New Paths for New Pioneers In Achieving Greater Growth

dollars annually—a gain of more than 12 times. It would be strange indeed if these various exploratory efforts did not produce many startling results.

Forty Per Cent New Firms In 1977

The anticipated growth of the business establishment has already justified economists in predicting that, by 1977, the nation will have a total of almost six million business firms, a gain of about 40%. It is expected that, by the close of this 20-year period, there will be about one and a half million more small business units than there are today and about twice as many large firms. So, throughout the country, if we are to keep up with the needs of our growing population, we will be obliged to create hundreds of thousands of new business ventures which, in the aggregate, will employ something like 20 million more people than are now engaged.

Now, unfortunately, we may get the impression from time to time that, because there has been a substantial growth among some large corporations in recent years, it is almost impossible for a new enterprise to get started. It is unfortunate, also, that so much of what we read and hear on this subject appears to be negative at the expense of the positive, and often at the expense of the truth.

I saw a new book the other day, for example, which concerned itself for more pages than I cared to read with the difficulties a newcomer might have in entering the steel business, or the aluminum business, or the petroleum business. The author turned his back, however, on the fact—and this is a fact—that thousands of new businesses are established each month and, while it is true that a number of them fail for one reason or another, we have had a net gain of a million or about two thousand a week in 10 years.

At no time in history has opportunity knocked at so many doors, nor has a new enterprise been tendered so many helping hands. The fact is that people do go into business every day and they do make a success of themselves.

People go into business and, when they have a new idea with merit to present, the rewards of pioneering can be considerable. Successful innovation today rings a louder note on the cash register than ever before, simply because our expanding economy has created such a huge market of eager buyers. Certainly, the facts of commercial history over the past 10 years dispel any notion that new ventures are doomed to fail. We have frozen orange juice, the home permanent wave, the electric razor, and the plastic bottle. We have detergents; we have instant coffee and instant cookies; we even have Scrabble—all of them representing new ideas that found a ready acceptance in the marketplace and a successful record for their producers.

Opportunities Today and Yesterday

It is an odd thing that many of the critics of our business system seem to think that conditions were much more sympathetic to the creation of new business opportunity in the days when the country was young—before the era of big business, for example. The fact is, however, that starting a new business then was much more difficult. The other day, I was reading a report presented to the Congress back in the year 1814 which outlined in considerable detail both the needs of the country for a substantial manufacturing establishment and the difficulties which then stood in the way of the prospective entrepreneur. Capital, for example, was extremely scarce. Markets were limited. Communications and transportation were slow and hazardous which meant that collections were delayed and credit risks were multiplied.

The good old days in this respect were not so good as some would have us think, except in one important respect—with the birth of the new nation, there had been born a new concept of freedom for the individual. It gave us a way of life which, by unleashing our energies from unnatural restraints, would bring forth the best effort of all the people.

That is precisely what our new freedom did. Men were free to pursue their own destinies, and so there was brought about a period of progress so staggering that it is difficult even now for us to appreciate its speed of its scale.

The other day, I saw a motion picture about the adventures of Marco Polo. That good pioneer's exploits were remarkable, but let's recall that the great Venetian fleet of the thirteenth century actually carried less gross tonnage than we move today in a single freighter. The total goods imported into France over the Gothard Pass during any year of the eighteenth century would scarcely fill the waybill of a single boxcar on an American railway.

Industrial Pioneering's Importance

The great advance in industrial output has come through industrial pioneering. The technology we have developed makes the difference between abundance and want, between civilization and savagery, and, in some phases of history, between survival and destruction. It is the difference between the superhighway and the cow path, between the comfort-filled split-level and the bare log cabin, between the eight-hour day and dawn-to-dusk toil, between nylon and homespun, between the deep-freeze and the root cellar, between the oil burner and the pot-bellied stove.

As early as 1814, it was recognized that the way to progress lay in producing more goods with greater output per unit of human effort. The report to Congress which I mentioned earlier concludes with the comment that "our need is for these wonderful machines, working as if they were animated beings, which may be justly considered as an immense body of manufacturing recruits enlisted in the service of the country."

Thus from the very outset, our country has been developed by pioneering—first in the conquest of its mountains and its wilderness, then in developing its scientific and industrial potential. That potential assumes more enormous proportions every year if — and only if—industry is able to go on developing new technology and bringing it to the service of the country.

How to Attract Industry

The people of every state recognize the need for attracting new enterprise. Some go to extraordinary lengths to bring in new plants and new industrial installations. They set up boards and agencies and send out missionaries to sell industry on the advantages of their location. Some even offer substantial tax inducements such as a 10-year period in which taxation is waived.

Speaking only for myself and for the du Pont Company, we are less impressed by this sort of inducement than we are by the atmosphere and the attitudes of people toward industry. We have, for example, never sought tax-free status—or feelings is that, if we associate ourselves with a community, we should bear our full share of its operating expense. On the other hand, we would be most reluctant to cast in our lot with some states in which we feel the prevailing attitude toward industry is unfriendly or lacking in understanding. The problem confronting us on the state level is no different than that which concerns all industry on the national level — the problem lies in the climate or the environment which either encourages or discourages the establishment of new undertakings.

Just what does industry regard as a desirable climate? Does it want special favors, special privileges, special treatment? I assure you that industry is not looking for special advantages either on the state or on the national level. Yet by the same token, industry feels that it should not be exposed to special penalties, special harassments, nor special burdens either.

Unfair Treatment

Unfortunately, there is a tendency in some quarters to think of the corporate citizen as an inanimate object which can be prodded without pain and which can be attacked without actually harming anyone. And when the corporation in question is a large one, its vulnerability in this respect increases proportionately.

The fact is that a corporation is not an inanimate being. It is simply a group of people joined together to do something that they cannot do as individuals. A large corporation—or what we call big business—is simply a larger group of people who have pooled their skills, their labor, and their funds to do something which a smaller group could not do. But, large or small, the corporation is people and, if these people are penalized in their collective role as a corporation, they are, at the same time, penalized as individuals.

So, in appraising the economic environment, industry must be watchful against indications of special disfavor. It must be on guard against measures which would deprive the corporation of the rights and guarantees which are properly those of any citizen — either individually or collectively.

Proposed Corporate Income Tax

For example, there has been proposed in Congress a bill that would tax corporations in a discriminatory way at progressively higher rates, so that a very large company would have to pay a higher percentage of tax on its earnings than one not so large.

This would simply mean that a large group of people would have to pay taxes at a higher rate than a smaller group—it would put a penalty on people simply because a large number of them have joined together in a cooperative enterprise. It would be like saying that individuals who live in a large state should pay Federal taxes at a higher rate than those who live in a small state, that the three million people of Kentucky, for example, should pay at a higher rate than the million people of Oregon, for instance, or the three hundred thousand people of Delaware! Or the members of a 90-piece symphony orchestra should pay higher union dues than those of a five-man combo, or that tall men should pay more than short!

Penalize Many

It is, obviously, a bad and inequitable proposal, and one that could hurt a great many people if it should be taken seriously. Anything that penalizes the group must, in the end, penalize all participants; when we strike at the corporation, we strike at its stockholders, its employees, its customers—all three.

Industry naturally reacts unfavorably to being a special target, and the attitudes which special attacks reflect cannot help but retard progress, whether they are applied at local, state, or national levels. They will slow down the rate of expansion and growth and, in so doing, militate against the interests of the country and each of its subdivisions everywhere.

Barring interruptions, I feel very certain that the prospects for industrial development are unlimited — not only in Kentucky, but everywhere. I feel that the venturesome spirit of our people can lead us to new heights in both a material and a cultural sense. Pioneering in our day has turned from working the land to the far more challenging exploration of the physical sciences. The frontier which confronted Daniel Boone when he crossed the mountains into Kentucky a century and a half ago seemed limitless, yet we can now see that the physical frontier of 1800, great as its potentialities were, was but a patch of woods compared to the new kind of frontier which is spread before us today.

There is, however, one note of warning which I think we must observe. I am afraid that we have developed a feeling in recent years that progress is somehow automatic — that success comes along as a matter of course. We have reached a stage in which nearly everyone can go to college, and each year we see frantic bidding for our new graduates. I sometimes think that many of them must have a distorted picture of the requirements for success in any undertaking.

The fact is that the rules of pioneering haven't changed and the rules of success haven't changed. The rewards and the gains will go only to those who are willing to work hard for them.

We must remember that pioneering in industry entails the same kind of difficulties and struggles and frustrations as those faced by Daniel Boone and all other pioneers of every age. Those who would lead the way must learn to face the risks and the hazards, the obstacles and the obstructions. They must learn to overcome them with the same high courage and high resolution that have always characterized the pioneer.

The easy paths inevitably lead downhill. The paths that scale the heights are hard and slippery and treacherous, but the rewards, once attained, are the rewards of the pioneer: Hard won they may be, but well worth the winning.

Railroad Securities

By GERALD D. McKEEVER

Railroad Income Bonds

It has often been said that lower grade rail bonds, and particularly Railroad Income Bonds, act too much like stocks to deserve the name of "bonds." However, this simply has not been true in the past year or more. Railroad Income Bonds have not only behaved like bonds marketwise in the past year or more of general decline in the bond market, but, in many cases, have done better. This interesting fact that many Railroad Income Bonds have actually suffered less decline for the most part than either fixed interest rail bonds in the medium or lower quality group—or what is even more notable—than high-grade bonds on the average is shown by the following comparison of the declines in a representative group of Rail Income Bonds with the corresponding declines in the other two groups. This is belied by the Dow-Jones Bond Averages, for instance, but here is the record:

I—Rail Income Bonds

	Approx. Price	High 1956-57	Decline in Points
Baltimore & Ohio 4½s (Feb.) 2010	80	97	17
Chic., Milw., St. Paul & Pacific 4½ "B" 2044	63⅜	74⅜	10
Chic., Milw., St. Paul & Pacific Debentures 5s 2055	61½	70¾	9¼
Denver & Rio Grande West 4½s 2018	88	103	15
Erie RR. 4½s 2015	72½	79½	7
Erie RR. 5s 2010	72	81¼	9¼
Lehigh Valley "E" 4½s 2003	69	79	10
Missouri Pacific "A" 4¾s 2020	67¼	77¼	10
Missouri Pacific "B" 4¾s 2030	64⅞	71⅞	7
Missouri Pacific Debentures 5s 2045	68¼	61	7¼

Average decline—10.2 points.

II—Secondary Fixed Income Rail Bonds

	Approx. Price	High 1956-57	Decline in Points
Baltimore & Ohio Consolidated 4¼s 1995	81½	98½	17
Missouri Pacific 1st 4¼s 2005	77¾	95¾	18
Pennsylvania RR. 4¼s 1981	90½	105½	15
Philadelphia-Baltimore & Washington 4½s 1977	95½	105½	10
New York Central 4½s 2013	70¼	83¼	13
Cleveland, Cincinnati, Chicago & St. Louis 4½s 1977	76	87½	11½
St. Louis-San Francisco 4½s 1997	83	101	18
Central RR. of New Jersey 3¼s 1987	56	67	11

Average decline—13.6 points.

III—High Grade Bonds

	Approx. Price	High 1956-57	Decline in Points
U. S. Treasury 3s 1995	92¾	100 15/16	8 3/16
American Telephone & Telegraph 3¼s 1984	88½	102½	14
Atchison, Topeka & Santa Fe 4s 1995	104⅜	118⅜	14
Union Pacific 2½s 1991	75¼	88¼	13
New York City Rapid Transit 3s 1980	95¼	105¼	10
General Motors 3¼s 1979	90	103	13

Average decline—12 points.

While the above should be sufficient demonstration of the relative stability of the Rail Income Bonds, an even more arresting illustration is provided by the cases of the Baltimore & Ohio and Missouri Pacific income bonds as against the senior fixed interest issues of these roads Although the Baltimore & Ohio income 4½s are admittedly buoyed up by the still-lingering hope of call of the balance of this issue not exchanged for the fixed interest 4½s of January 2010, the fact remains that the net decline of this issue has been no greater than that of the road's consolidated 4¼s, a fixed interest issue secured by the road's first mortgage. The case of the Missouri Pacific issues is even more striking since the 18-point decline of the road's first 4¼s is more than twice the average decline of the three income issues, including the tail-end debenture 5s of 2045.

The field of Railroad Income Bonds is thus an interesting one. For some, the greater stability of these bonds may suggest an advantageous opportunity to "upgrade" by shifting into the more depressed fixed interest bonds among the rails or elsewhere. For others, the quite inspiring price action of the Rail Income Bonds may suggest an attractive investment area.

Following is a tabulation of a number of the better Railroad Income Bonds arranged in the order of the ratios of 1956 estimated available earnings to over-all charges. The latter means the full year's interest on the issue in question together with interest and sinking fund, if any, on all prior issues plus capital fund, if any:

	Approx. Price	Current Yield %	Over-All Times Earned	Interest Cumulative
Denver & Rio Grande West 4½s 2018	88	8.12	4.15	4 years
Wabash RR. 4¼s 1991	75½	5.62	3.82	3 years
Minn., St. Paul & S. S. M. 4s 1991*	62F	6.45	3.30	If earned
Gulf, Mobile & Ohio 4s 2044	71	5.62	3.15	3 years
Central of Georgia "B" 4½s 2020*	74½F	6.05	3.06	3 years
Chic., Milw., St. P. & Pac. "A" 4½s 2019	79	5.68	2.60	3 years
Chic. & Eastern Illinois Gen. 5s 1997	99F	5.05	2.50	Non-cum.
Chic., Milw., St. P. & Pac. "B" 4½s 2044	63	7.14	2.24	3 years
Chic. Great Western 4½s 2038*	78F	6.77	2.16	3 years
St. Louis-San Francisco 4½s 2022*	80F	5.62	2.15	4 years
Western Pacific Debentures 5s 1984	86½	5.80	2.10	4 years
St. Louis-San Francisco Debentures 5s 2006	67F	7.48	2.04	3 years
Chicago & Eastern Ill. Debentures 5s 2054	69F	7.20	1.90	Non-cum.
Baltimore & Ohio 4½s (Feb.) 2010	80	5.52	1.88	Fully
Lehigh Valley "E" 4½s 2003	69F	7.20	1.87	5 years
Wisconsin Central 4½s 2020	72F	6.25	1.84	3 years
Chic., Milw. St. Paul & Pac. Debs. 5s 2055	61½F	8.12	1.67	Non-cum.
Erie RR. Gen. 4½s 2015	72½	6.20	1.64	3 years
Erie RR. Debentures 5s 2020	72F	6.95	1.59	3 years
Missouri-Kansas-Texas adj. 5s 1967	68F	7.35	1.52	Fully
Missouri Pacific "A" 4¾s 2020*	77½F	6.20	1.20	Up to 13½%
Missouri Pacific "B" 4¾s 2030*	72F	6.60	1.35	Up to 13½%
Chic., Indianapolis & Louisville 4/12s 2003	63F	7.15	1.35	3 years
Missouri Pacific Debentures 5s 2045*	61F	8.18	1.17	Non-cum.

F Trade "flat"—others "and interest."
*Available in fully registered form only.

With the exception of Baltimore & Ohio 4½s, the "Katy" adjustments, and the "MOP" debentures, all of the above issues have some sinking fund provision. One of the heaviest is in the case of the Chicago & Eastern Illinois debentures where up to 1% of the issue is to be retired annually, subject to available earnings. Following closely in this regard are the two "MOP" 4¾s issues with sinking funds of about $514,000 and $507,000 for secries A and B, respectively, but again, subject to the availability of earnings. The greatest number of the above, however, have contingent annual sinking funds of ½% of the original issue, and these include the Central of Georgia 4½s, the two "St. Paul" issues, the Erie 4½s and 5s, the Gulf, Mobile & Ohio 4s, the "Soo" 4s and the two "Frisco" issues, and the Wabash 4¼s.

While the "St. Paul" B 4½s have the aforesaid sinking fund provision, it does not become operative until all of the series A has been retired, and similarly, the sinking fund does not operate for the debentures until series B is out of the way. The sinking fund at work for the series A bonds is undoubtedly most of the reason for the 14-point spread between this issue and series B, which otherwise differ only as to maturity and as to priority of interest on series A. The "MOP" series B 4¾s interest is similarly subordinated to that of series A but since the sinking funds are approximately equal the difference in price is much less.

Other issues have smaller sinking funds, but the Western Pacific 5s with a potential annual sinking fund of $1.2 million leads the list in this regard, and this is reflected in the relatively high price for this issue. The high price for Chicago & Eastern Illinois general 5s of 1997, on the other hand, is due to the near-term convertibility of this issue.

Form Mutual Small Group

Mutual Small Group Investors Corporation has been formed with offices at 110 Fifth Avenue, New York City, to engage in a securities business.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—James E. von Gemmingen has been added to the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

F. A. Peerson Opens

EAST CHICAGO, Ind.—Francis A. Peerson is engaging in a securities business from offices at 3619 Fir Street. He was previously with Dempsey-Tegeler & Co.

2 With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Kenneth H. Berendts and Peder Fylling have become connected with Minneapolis Associates, Inc., Minnesota Federal Building.

Continued from page 9

Learning to Multiply And to Divide Output

chose to buy, we were rapidly on our way toward making the most for the greatest number, thus achieving mass production for mass markets. We were rapidly on our way to achieving a position of economic leadership in the world.

But suddenly we came a cropper. The process of multiplication stopped abruptly—not only in America, but in virtually all the other nations as well. And so we entered the disheartening years of a great depression.

Production Depends on Distribution

Some said it was the inevitable aftermath of war. Others blamed it on the fevered rash of speculation that had marked the late Twenties. One wag explained it by saying that just as man was beginning to learn how to manage money, some darned fool came along and invented credit. And that explanation was just as wacky as many others.

But one thing seemed clear to many of us: that the amazing system of mass production was more dependent than we had realized upon the creation and the development of mass markets. We began to understand how through better marketing we could stimulate the purchase of useful products and in fact create a market where none previously existed. We learned more about the great benefits that flow to all from good profits, good wages, a reasonable confidence and stability in prices. We began to understand more clearly how, coupled with these, competitive production of large amounts of widely useful goods automatically creates mass ability to buy. We saw better how desirable was a smooth return-flow to markets of the purchasing power generated by ever-mounting production.

Thus we learned how the better division that stemmed naturally from the enterprise system itself stimulated and fed the vital process of multiplication. We saw anew what the lowly amoeba had been demonstrating for many aeons: that multiplication and division are integral parts of each other . . . that they go together like ham and eggs, Damon and Pythias, or Merrill Lynch, Pierce, Fenner and Beane.

And so, for the first time in our national history, we in industry set out consciously and individually to foster this business of division in a businesslike way.

At the same time, under the trying circumstances of the 1930s, we as a nation had granted to government a rather substantial measure of our individual economic sovereignty. One over-all effect of this was a legislatively imposed form of division.

Some undoubtedly well-intentioned persons in government began to instruct us in how to divide their way. That instruction was not always of the best, for in retrospect it appears that some of our tutors were more anxious to abolish wealth than to eliminate poverty. Their ideas of division took a different trend from the division that comes naturally from multiplication. And to some extent, at least, their melody lingers on. But in spite of their ineptitude and frequent positive-interference, after a quarter century of intensive work we all have learned a good deal as the figures clearly show.

Income Redistribution

Fifteen years ago, only 5% of the family units in America had incomes of $5,000 or more. Today 44% of an increased number of family units are in this bracket. It is true, of course, that the cost of living has increased 88% during this period. But still, actual purchasing power has increased by 25% in the space of these 15 years. And it all means that 11 times as many families are now in the $5,000 bracket or higher.

Today, the income of the average American family is well above the $5,000 level. In fact, skilled wage earners, in many industries, often have incomes of $10,000 or more. And of all of the billions of dollars of income that were divided among the American people after taxes in 1954, four-fifths of it went to those having incomes of $10,000 or less.

Moreover, the basic mechanics of life in the $5,000-a-year home and the $25,000-a-year home have become very similar. The household conveniences and accessories in each are much the same; and such differences as do exist are matters largely of style and price, rather than of utility.

Even if we examine the living standards of the very lowest income groups—of the families with less than $2,000 per year—we find that more than one-third of them own automobiles; that 10% purchased cars during 1955; that more than a quarter of them purchased a major household appliance in 1955; that 40% of them own their own homes; and that no less than 86% of these homes are free and clear of mortgage debt.

Little People Own Big Business

Another significant example of the way in which this process of natural division has worked in America is to be found in the change that has occurred in the ownership of our larger enterprises. Today fewer businesses — especially our biggest businesses —are owned by a few wealthy individuals or groups as many were back in the 'Nineties. They are owned by millions of people in all walks of life.

In United States Steel, for example, the owners of our business outnumber the employees by a considerable margin; and no one of them holds as much as three-tenths of one percent of the outstanding stock. A few years ago we took a survey among our stockholders which yielded some surprising information.

It showed that more than half of our shareowners had incomes that were less than the average wages we were then paying to our steelworkers. Nearly three-fifths of these stockholders had incomes of less than $5,000 a year; and about a third of them were in the brackets below the $3,000-a-year level.

So if the ownership of United States Steel is fairly representative of that of other large American enterprises, it would seem highly probable that the majority of the owners of so-called Big Business are "littler people," in the economic sense, than many of the owners of so-called Small Business. And that is a point that should NOT be overlooked, I believe, as we proceed with our studies in economic division.

To sum it all up, therefore, I think we can truthfully say that we have in America today not only mass production, but also mass markets, mass purchasing power, and mass ownership of corporate enterprise. Our nation, with a Gross National Product of $410 billion has reached a new pinnacle of production; and this production is being shared more broadly among our people than ever before.

Some producing groups — such as agriculture and textiles, for example—are not faring as well as others; and there is no group, I am sure, that is not contending for a still larger slice of the pie. But by and large, we, as a nation, have learned a great deal about division—despite the excesses to which some would have led us.

In fact, with the abundant fruits of our industrial cornucopia to divide and so many interested in trying to get a greater share in the division, I wonder if we are not repeating in these days, in reverse, the costly lack of understanding of the 1920's. I wonder if the pendulum has not swung clear to the other extreme. I wonder if we have not become so engrossed in the business of division that we are neglecting the process of multiplication.

Multiplication Is Not Automatic

I wonder, in short, if we aren't assuming that our multiplication will go on, almost automatically, of its own momentum, without conscious thought or direction on our part.

Well, believe me, it won't—and it isn't. And clearly no one will gain if our national effort to cut in on the division is permitted to retard the process of multiplication. Writing on this subject recently, Dr. Henry C. Wallich, Professor of Economics at Yale, summed it up in these words:

"From a dollars-and-cents point of view," he said, "it is quite obvious that over a period of years, even those who find themselves at the short end of inequality have more to gain from faster growth than from any conceivable income redistribution. A speed-up in real output of only one extra per cent per year will soon lift even the economically weakest into income brackets to which no amount of redistribution could promote them."

And that statement, I think, is self-evidently true. But bearing in mind that a speed-up in real output can only come from a more rapid forming of private capital, and recognizing that the lack of savings and the incentives to invest are major limiting factors upon economic growth, let us see whether or not we have been paying proper attention to our multiplication. And here again, let me turn to the experts—this time, to the Hon. W. Randolph Burgess, Under-Secretary of the Treasury. Recently he said:

Large Savings Required

"What has happened is that the demand for capital has shown itself to be greater than the supply of capital. The amount of money sought to build houses, factories, roads and public facilities has been greater than even the large amount of savings available for these purposes. As a result, some of the demands for this money have been met from bank credit instead of by savings, and the price of money has risen. This, in fact, is one of the principal reasons why a threat of inflation has developed. . . . I believe the time has come when we must all consciously follow policies which will encourage the accumulation of the needed capital."

And that statement is eloquently, though regrettably supported by the facts. If our national stock of industrial plant and equipment is to grow in accordance with historical trends, it is estimated that we must increase it by somewhere between 40 and 50% in the next ten years. That would require a progressively increasing annual investment up to an average of $65 billion—or very nearly half again as much as the record sum invested last year.

To support that kind of investment requires a high rate of national savings. So far as individual savings are concerned, it is calculated that they must be maintained at least at their historical rate of 8% of disposable income. But they have NOT accumulated at that rate at any time in the past four years. Declining steadily in the first three of these years, they reached a low of 6% in 1955 and recovered only to 7.2% in the first nine months of last year. Perhaps we should find out why. Could it be that in our national zeal for division, we have curtailed too severely the incentives for multiplication?

Well, let's just look for a moment at what has been happening in the 1950's to the savings of corporations and to the profits from which they are derived. Between 1950 and the first nine months of 1956, the national income rose 41%. In terms of actual dollars, compensation of employees went up 54%, but corporate profits went **down** 5.4%. In terms of **shares** of the national income, we find that the employees' share rose from 64 to 70%; while the share that went into corporate profits dropped from 9% to 6%—a decline of one-third!

In this connection we must remember, too, that with each passing year—under our present inadequate depreciation allowances under the tax law—an ever-increasing amount of our reported profits must be used to replace worn-out plant and equipment — especially in our heavy industries. So less and less of our declining profit is available to finance growth and expansion or to attract new savings and investment.

And in the light of all of these facts, I think we must honestly conclude that we have allowed our national preoccupation with the problems of division to interfere seriously—if not dangerously —with our capacity for multiplication. Somewhere between the two we must find, and preserve, that delicate balance wherein each process supports and supplements the other instead of impeding it.

Inflation and Future Distress

Some people, of course, will pooh-pooh this conclusion and will point to the fact that we are now rejoicing in a crowning moment of prosperity; but let us remember always that it is in times of our greatest prosperity that the seeds of future economic distress are so often sown. And one such seed is clearly flourishing in our economic garden today. That is the seed of inflation—a foreseeable result of an attempt to get too great a share of the division.

With the Federal Budget running well in the black, it appears that there are two major roots of this present inflation: First, is the fact that, for many years, wages have been rising far more rapidly than productivity, thus forcing prices higher and higher. This species of division is a matter of increasing concern among many thoughtful economists.

And second — as Randolph Burgess has pointed out—is the fact that savings have not kept pace with the demand for capital, thus causing an excess flow of bank credit into the economic stream.

So to Mr. Burgess' admonition that we must all consciously follow policies which will encourage the accumulation of capital, let me add a prayerful "Amen." With two-party control of the Government in Washington, perhaps this is an appropriate time for leaders in both the Executive and Legislative branches to seek non-partisan, realistic answers to a few key questions which bear importantly on the future success of our national efforts in multiplication:

Wants Tax Rates Examined

Do our present income tax rates discourage the taking of investment risks by those individuals and groups which have the greatest capacity to do so?

Are these tax rates calculated to produce the broadest possible tax base, and thus to yield maximum revenues to the Treasury with a minimum of restraint upon the growth of our economy?

To what extent are these tax laws to blame for the inflationary borrowing of recent years?

Does the double taxation of dividends discourage the accumulation and investment of savings by people even in the lower income brackets?

Would it not be wise, since corporations are the principal source of industrial capital formation, to examine their taxation with a view to increasing their ability to generate additional funds for capital expenditures? To be more specific, since the funds generated from depreciation and retained profits are far and away the greatest source of the expenditures for plant and equipment—should not those who wish to stimulate industrial capital formation in the United States re-examine the tax laws relating to depreciation and profits?

In short, we have—as I said—relinquished a considerable measure of our economic freedoms to Government in the course of the present century; and it seems to me that the time has come when we must ask ourselves frankly whether these additional Governmental powers are being used as wisely and as sparingly as they should be—and used not merely for the political expediency of the moment—but broadly, in the best interest of our national growth and development.

For of one thing I am thoroughly convinced:

In these days when international tension is approaching the bursting point, the survival of freedom on this earth depends in no small degree upon the productive strength of America. For many years, the free nations of the world have looked to us for economic aid; but today a new cry is heard—a cry not merely for aid but for leadership.

That call does not come to us because we are weak, or soft, or impoverished. It comes to us because we have grown tall and strong among the nations of the world.

To recognize that we are strong is not to extol our virtues: it is merely to respect the simple truth. And we cannot ignore the call that has come to our people. Nor can we fail to measure up to the heavy responsibilities that it imposes on us.

The recent events in Hungary remind us that the battle does not always go to the brave; for there the brave have found freedom only in death. The battle goes to the strong; and when the chips are down, we shall find, I think, that the strongest nation is the one which has been **most successful in the formation of capital, and which has used that capital most productively.**

So as we prepare to assume the heavy and crucial responsibilities of leadership, we must pursue, with diligence and vigilance, our studies in the elementary arithmetic of multiplication and division; but in doing so, let us never forget the one great lesson that is boldly emblazoned on every page of the economic history of America:

That just as our economic strength has always been the bulwark of our nation's freedom; so our economic freedom has enduringly been the bulwark of our national strength.

Kuhn, Loeb Group Offers Atlantic City Electric 4½% Bonds

Kuhn, Loeb & Co., American Securities Corporation and Wood, Struthers & Co. comprise a group which is offering today (Jan. 24, 1957) $10,000,000 of Atlantic City Electric Co. first mortgage bonds, 4½% series due Jan. 1, 1987, at 101.656% and accrued interest, to yield 4.40%. The underwriters won award of the bonds at competitive sale yesterday (Jan. 23) on a bid of 101.11%.

Part of the net proceeds from the sale of the bonds will be used by the company to prepay all outstanding notes payable to banks issued for construction purposes, and the balance will be used to pay for part of the cost of the 1957 construction program.

The new bonds will be redeemable at regular redemption prices ranging from 106.66% to par, and at special redemption prices ranging from 101.66% to par, plus accrued interest in each case.

Atlantic City Electric Co. is engaged principally in furnishing electric service in the southern part of the State of New Jersey. The company serves 377 communities in an area having an estimated population of 548,000. For the 12 months ended Oct. 31, 1956, about 99% of the total gross operating revenues of the company was derived from electric service, and approximately 1% from hot water heating and steam service.

Total operating revenues for the 12 months ended Oct. 31, 1956 aggregated $31,341,264, while net income amounted to $4,635,146.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Jan. 24) $3,000,000 of Chicago, Milwaukee, St. Paul & Pacific RR. 4% equipment trust certificates, series VV, maturing semi-annually Aug. 1, 1957 to Feb. 1, 1972, inclusive.

The certificates, first of two installments of an issue not exceeding $9,000,000, are priced to yield from 3.75% to 4.20%, 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 1,000 all-steel box cars and 150 steel covered hopper cars, estimated to cost $11,273,225.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

Hornblower, Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John L. Clancy has been added to the staff of Hornblower & Weeks, 75 Federal Street.

Joins Jackson Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward M. Leader has joined the staff of Jackson & Company, Inc., 31 Milk Street.

With Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David Wilder has become connected with Tucker, Anthony & R. L. Day, 74 State Street. He was previously with White, Weld & Co.

Form Mangem'nt Syndicate

Management Syndicate Corp. has been formed with offices at 15 William Street, New York City, to engage in a securities business.

Continued from page 6

The State of Trade and Industry

service enterprises; casualties in manufacturing and wholesaling exceeded those of 1955 by 4%.

Eight of the nine major geographic regions reported more failures in 1956 than in 1955.

In the automotive industry the past week United States car production held at approximately the same rate as the preceding period, according to "Ward's Automotive Reports."

Ford Motor Co. and Chrysler Corp., retained their increased shares of output at the expense of General Motors Corp., Studebaker-Packard and American Motors.

"Ward's" estimated production a week ago at 146,376 cars and 21,877 trucks compared to 147,129 cars and 20,322 trucks in the previous week. Output the corresponding week in 1956 was 144,738 cars and 24,551 trucks.

The statistical publication said Ford Motor Co. programmed 30.8% of last week's car production compared to the 26.2% share it took the corresponding week last year. Chrysler Corp. was up to 19.2% from 13.9% last year at this time.

Meanwhile, General Motors dropped to 47.4% last week compared to 54.2% the corresponding week in 1956, while American Motors fell to 1.4% from 2.7% and Studebaker-Packard declined to 1.2% from 3.0%.

Reflecting this production pattern, said "Ward's," was scheduling of Saturday work, taking place only at Ford Motor Co. and Chrysler Corp. assembly plants last week.

Ford Division operated six plants on Saturday; Mercury at least one and Lincoln one; Chrysler Division opened its Detroit plant Saturday and Plymouth scheduled work at both Detroit and Los Angeles.

Industrial production in December dropped less than seasonally from November to 144% of the 1947-49 average, the Federal Reserve Board reported.

Because the decline was less than usual for that time of the year, the board's seasonally-adjusted index of industrial production rose one point to a record 147% from the revised November rate. This compared with a rate of 144% in December, 1955.

Increased auto production in December, marking a stronger than usual gain from November, played an important role in boosting the over-all seasonally-adjusted index, it stated. Other consumer durables and manufacturing industries registered small declines from November, but the drops were less than usually expected, so the output in these fields showed up as slight gains when seasonally adjusted.

Without taking seasonal factors into account, the board's over-all production index of 144% for December was off three points from November's 147% but higher than the 142% in December, 1955.

For the full year 1956, industrial production averaged 143% of the 1947-49 average. This represented a four-point gain, or 3% over the 139% reported for the previous year.

Although December was the fifth month last year to show a drop from the 1955 level, the aggregate of new business incorporations for the year 1956 rose slightly to set a new all-time yearly high of 140,775, Dun & Bradstreet, Inc., discloses. This represented an increase of 0.8% over the 139,651 concerns chartered in 1955, and a rise of 20.2% above the 117,164 recorded in 1954.

December incorporations totaled 10,788, a gain of 10.7% over November with 9,749. Probably due to the extended holidays this year, there was a drop of 6.5% below the 11,539 new concerns listed in December, 1955.

Steel Production Scheduled at 97.5% of Capacity This Week

Steel sellers will be knocking on more doors this year than last, "Steel" magazine, the national metalworking weekly, reported on Monday last.

It said there is more steel to offer because demand is a little softer and steel production capacity is a little larger.

New England is one place where steel salesmen are knocking on doors. Most producers who stopped selling carbon steel sheets in that area during the period of heavy demand are back with allotments and are equalizing freight with the nearest mill, the Fairless works of U. S. Steel Corp.

The publication pointed out that a note of softening has entered the market in the last two weeks, but it still doesn't affect users of plates, structural shapes, oil country tubular goods and large line pipe.

The fabricated structural steel industry had larger bookings on Dec. 1 than at the start of any other month in 1956. Its backlogs were 3,252,202 tons, equal to three months' production of all United States plate and structural mills.

The major softening effect on demand is the hedge on steel buying by auto makers, the magaine declared.

Latest reports from steel companies show auto makers are not confirming orders as rapidly as had been expected. Purchasing agents reveal that inventories are down to rock bottom and that they are buying only for immediate needs.

Other steel users are also gearing purchases to consumption. There is less incentive to buy for inventories since supply shortages no longer worry most buyers. This moderation in building inventories, however, precludes an inventory reduction and its companion, a slump in steel mill operations later on.

The hedging on steel orders by auto makers is making mills a bit pessimistic. Some steel men have been saying car output won't come up to predicted 1957 levels of 6,500,000 to 6,800,000. However, first quarter output will be higher than that of 1956.

This caution extends to ingot production with some speculation that 1957 may fall short of the 120,000,000 tons predicted earlier, according to the metalworking authority. A 120,000,000-ton figure would be about 90% of capacity. This means 10%, perhaps more, capacity would be idle.

In most of the last 15 years, idle capacity has been unusual, but prior to that it was common. In the 22 years between World Wars I and II, 12% or more of the capacity was always idle. But capacity rose 30% in that period.

The publication's base price composite on finished steel remained at $137.98 a net ton, where it has been since the first of the year. Its composite on the price of steelmaking scrap declined to $59.83 a gross ton, a $1 reduction.

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 97.5% of capacity for the week beginning Jan. 21, 1957, equivalent to 2,496,000 tons of ingot and steel for castings as compared with 96.4% of capacity, and 2,467,000 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 94.3% and production 2,322,000 tons. A year ago the actual weekly production was placed at 2,472,000 tons or 100.4%. 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 Registered a Further New All-Time High Record the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 19, 1957, was estimated at 12,556,000,000 kwh. a new all-time high record, according to the Edison Electric Institute. The previous all-time high record of 12,327,000,000 kwh. was established in the week ended Jan. 12, 1957.

The past week's output rose 229,000,000 kwh. above that of the previous week; it increased 1,035,000,000 kwh. or 9.0% above the comparable 1956 week and 2,575,000,000 kwh. over the week ended Jan. 22, 1955.

Car Loadings in Week Ended Jan. 12, Rose 21.2% Higher Than the Preceding Holiday Week

Loadings of revenue freight for the week ended Jan. 12, 1957, rose 119,247 cars of 21.2% above the preceding Holiday week, the Association of American Railroads reports.

Loadings for the week ended Jan. 12, 1957, totaled 680,766 cars, a decrease of 29,572 cars or 4.2% below the corresponding 1956 week but an increase of 40,933 cars, or 6.4% above the corresponding week in 1955.

U. S. Automotive Output In Latest Week Registers Little Change from That of Previous Week

Passenger car output for the latest week ended Jan. 18, 1957, according to "Ward's Automotive Reports," held at approximately the same rate as in the preceding period.

Last week the industry assembled an estimated 146,376 cars, compared with 147,129 in the previous week. The past week's production total of cars and trucks amounted to 168,253 units, or a decrease of 802 units below that of the preceding week's output, states "Ward's."

Last week's car output declined below that of the previous week by 753 cars, while truck output increased by 1,555 vehicles during the week. In the corresponding week last year 144,738 cars and 24,551 trucks were assembled.

Last week the agency reported there were 21,877 trucks made in the United States. This compared with 20,322 in the previous week and 24,551 a year ago.

Canadian output last week was placed at 8,705 cars and 1,596 trucks. In the previous week Dominion plants built 8,799 cars and 1,292 trucks and for the comparable 1955 week, 6,040 cars and 1,159 trucks.

Business Failures Rise to Highest Level for Any Week Since Aug. 16, 1956

Commercial and industrial failures increased to 278 in the week ended Jan. 17 from 256 in the preceding week, Dun & Bradstreet, Inc., reports. The toll was the highest in any week since Aug. 16 and exceeded the 269 in the similar week of last year and the 265 in 1955. Failures were 24% below the prewar toll of 367 for the comparable week of 1939.

All of the week's rise occurred in failures involving liabilities of $5,000 or more; they climbed to 243 from 215 in the previous week and 216 a year ago. Small casualties, those with liabilities under $5,000, dipped to 35 from 41 last week and 53 in 1956. Thirty-one of the failing businesses had liabilities in excess of $100,000 as against 25 in the preceding week.

Failures rose in all industry and trade groups except commercial service where the toll fell to 9 from 18. Manufacturing casualties edged to 49 from 41, wholesaling to 20 from 18 and construuction to 47 from 44; retailing failures rose sharply to 153 from 135. More retailers and construction contractors failed than a year ago, but declines from 1956 prevailed in all other lines.

Five of the nine major geographic regions reported heavier casualties during the week, with the toll in the Pacific and East North Central States higher. Sharp increases occurred in the East South Central and West South Central States. However, the Middle Atlantic and South Atlantic toll was lower. Failures exceeded last year's level in the Middle Atlantic, West North Central, and Mountain States.

Wholesale Food Price Index Moves Upward Following Decline of Preceding Week

Following a decline of 3 cents in prior week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 3 cents last week to stand at $6.13 on Jan. 15. This represented a gain of 4.6% over $5.86 last year, but a drop of 10.4% from $6.84 on the like date two years ago.

Higher in wholesale price the past week were flour, corn rye, oats, beef, bellies, lard, butter, sugar, coffee, steers and hogs. Lower were wheat, cocoa, peanuts and potatoes.

The index represents the sum total of the price per pound

Continued on page 76

Continued from page 75

The State of Trade and Industry

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 Moved Mildly Upward In Past Week Following Modest Declines In Prior Period

The general commodity price level edged a little higher last week following a slight dip in the early part of the period. The index closed at 300.30 on Jan. 15, as compared with 299.21 a week earlier and with 278.79 on the corresponding date a year ago.

Grain markets were somewhat dull a week ago. Price movements were irregular and held generally within narrow limits.

There was some investment buying of wheat futures while cash interests were active in early deliveries of wheat, reflecting a fair demand from domestic mills and some export business. Corn prices held steady most of the period as arrivals at Chicago continued to expand.

Extremely low temperatures in the Midwest livestock feeding belt furnished some stimulus to both corn and oats. The disappearance of corn was said to be more rapid than usual.

Farm stocks of the yellow cereal on Jan. 1 were estimated at 2,330,000,000 bushels, or an increase of about 5% above the comparable 1956 figure. Trading volume was comparatively small on the Chicago Board of Trade last week. Average daily purchases of grain and soybean futures totaled 39,500,000 bushels, against 45,300,000 the previous week and 39,000,000 bushels a year ago.

With fairly sizable balances of hard wheat bakery flours on hand, demand for most types continued to meet with small demand. It was felt that materially lower prices would be needed in order to stimulate buying beyond necessary replacements.

Coffee prices, particularly the Brazil grades, closed firm in both the futures and cash markets. The improvement was attributed to the prospect of continued good demand for coffee with seasonal consumption expanding.

Cocoa prices continued to weaken with bearish sentiment based largely on estimates pointing toward a larger yield of the main Accra cocoa crop than preliminary forecasts indicated. Warehouse stocks of cocoa showed little change for the week and totaled 296,671 bags, against 293,763 bags a year ago. Trading in lard was moderately active and prices continued to move higher Loose lard prices sold at the highest in more than two years. Hog prices were steady to around 25 higher for the week, reflecting fairly light receipts and broad demand from shippers.

The undertone in cotton continued to improve as prices edged higher for the fourth successive week.

Helping to sustain values were trade price fixing, short covering and commission house buying.

Also contributing to the firmer trend were soil bank considerations and the possibility of some tightening in the supply of free cotton later in the season. Reported purchases of cotton in the fourteen markets last week totaled 250,100 bales, against 136,900 bales in the preceding week and 151,000 in the corresponding week a year ago. Trading in cotton gray goods continued slow in December with demand confined mostly to cloth needed to complete orders for nearby delivery. Cloth prices in December averaged about 4% lower than a year ago.

Retail Trade Volume Showed a Moderate Rise In the Latest Week

There was a moderate rise in retail trade last week, as consumers increased their buying of apparel, furniture and housewares. While volume in apparel and food products moderately exceeded that of last year, retailers reported a slight year-to-year decrease in purchases of home furnishings.

The call for new passenger cars slackened the past week. Dealer inventories expanded moderately, but were appreciably below those of the similar 1956 period.

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 and East South Central —1 to +3; Middle Atlantic and Pacific Coast +3 to +7; East North Central —3 to +1; West North Central —2 to +2; South Atlantic 0 to +4; West South Central and Mountain +1 to +5%.

Attracted by numerous reduced-price clearance sales, shoppers stepped-up their buying of women's cloth coats, dresses and sportswear; volume in lingerie, sweaters, and toiletries expanded substantially. There was a moderate rise in the call for girls' clothing with principal gains in blouses and skirts.

Increased buying of upholstered chairs, sofas and occasional tables considerably boosted total sales of furniture last week, but volume remained at the comparable 1956 level. While the call for television sets and radios rose moderately, purchases of major appliances were close to those of the previous week.

There was a slight rise in interest in kitchenware, china and glassware and sales slightly exceeded those of a year ago.

The buying of canned goods and frozen juice concentrates advanced considerably, while grocers reported volume reductions in fresh produce and dairy products. The call for fresh meat expanded appreciably, with noticeable gains in beef and pork.

The major wholesale centers reported a rise in buying activity last week, as more Spring openings stimulated interest in furniture, housewares, and apparel.

The total dollar volume of wholesale orders considerably exceeded that of the previous week, and was moderately above the similar 1956 level.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 12, 1957, increased 3% from the like period last year. In the preceding week, Jan. 5, 1957, a decrease of 1% (revised) was reported. For the four weeks ended Jan. 12, 1957, an increase of 12% was recorded. For the period Jan. 1, 1956 to Dec. 29, 1956, a gain of 4% was registered above that of 1955.

Retail trade sales volume in New York City last week affected by snow and inclement weather dropped 3 to 5% below the like period a year ago, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 12, 1957, showed an increase of 10% above the like period of last year. In the preceding week Jan. 5, 1957, a decrease of 1% (revised) was reported. For the four weeks ending Jan. 12, 1957, an increase of 16% 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.

Continued from page 2

The Security I Like Best

faced with the usual business problems of credit, inventory and labor. Labor represents a small percentage of operating costs; there are no inventory adjustments, and with a policy of "pay as you go" there are no accounts receivable.

With respect to dividends, both the Bridge and Tunnel have periodically increased dividends in proportion to the constant increase in traffic and net earnings. Substantially all earnings are paid out as dividends even including a portion of the cash accumulated by depreciation reserves allowable for income tax purposes. The present dividend rate on both companies provides a satisfactory income, particularly since a substantial portion of the dividend is tax-free. In 1955, 40% of the Bridge's $1.05 dividend was non-taxable. The 1956 figures are not yet available. During 1956 the Tunnel paid a total of $1 of which 33% was non-taxable for income tax purposes.

Neither company has any long-term debt nor preferred stock outstanding which permits net earnings, after taxes, to be used solely in the interest of the common stockholders. Investors have further assurance that senior securities in the form of bonds and preferred stocks will not be issued at some time in the future to take prior claim over both assets and earnings. There simply is no need for enterprises of this character to undertake additional financing such as other business might do for research, development and expansion.

Although the common stocks of these two companies are recommended as a quality defense-type investment, the opportunity for substantial capital gains is not to be overlooked. There is a strong possibility that these facilities might be purchased in the not too distant future by some form of public authority. It is conservatively estimated that if the Bridge and Tunnel were to be sold today to a public authority, the stockholders would receive a price for their shares which would represent a profit of at least 50% over the current market prices.

Most all privately owned bridges erected during the past 30 years have been sold to or absorbed by some form of public authority or commission, and in most cases at a substantial profit to those who not only had the foresight to buy, but the patience to hold securities of the toll bridge industry. The Detroit International Bridge (quoted 17½-18½) and The Detroit & Canada Tunnel Corporation (quoted 14¾-16)—both traded over-the-counter—should not be an exception.

Propp & Co. Formed

Propp & Co., Inc., members of the New York Stock Exchange, has been formed with offices at 29 West 34th Street and 120 Broadway, New York City. The firm was previously known as Madison Investors Inc.

A. G. Edwards Branch

SHREVEPORT, La.—A. G. Edwards & Sons have opened a branch office at 311 Milam Street under the direction of George S. Franklin.

Bache Opens Branch

HAMILTON, Ont., Can.—Bache & Co. has opened a branch office at 20 King Street, East, under the management of E. Douglas Huycke.

G. H. Thomas Opens

LIMESTONE, Maine — George H. Thomas is conducting a securities business from offices at 262 Foulois Drive.

Loewi & Co. Inc. Group Offers Koehring Stock

Loewi & Co. Inc., Milwaukee, Wis., and associates today (Jan. 24) is offering an issue of 200,000 shares of common stock (par $2) of Koehring Co. at $22.75 per share.

The company also proposes to arrange with a group of insurance companies to increase long-term debt from approximately $4,000,000 to $9,000,000.

On completion of the stock offering and financing, said Koehring Company's net working capital is expected to total over $25,000,000.

Preliminary figures for the company's operations in its fiscal year ended Nov. 30, 1956, showed that net sales totaled $51,765,000, an increase of $11,301,867 or 28% over the $40,463,417 in the 1955 fiscal year.

Consolidated net income for the company's 1956 fiscal year after Federal income taxes amounted to $2,548,926, which after preferred dividends, was equal to $2 a share on an average of 1,206,290 shares of common stock outstanding. This compares with consolidated net income after Federal income taxes of $1,698,676 which after preferred dividends was equal to $1.30 a share on the average number of shares outstanding during 1955. This represents a 54% increase in per share earnings.

J. R. Steelman, President of Koehring Co., explained that 1956 fiscal year sales and net income include 11 months operations of The Hydraulic Press Manufacturing Co., merged into Koehring Co., July 1, 1956. He added that without including Hydraulic Press Manufacturing operations, Koehring's traditional operations provided an all-time high profit with peak sales of $41,927,000. He said that all nine Koehring divisions and subsidiaries operating prior to The Hydraulic Press Manufacturing Co. merger reported increased sales despite a relatively large seasonal decrease during the winter.

Net proceeds from the sale of this stock, together with the proceeds of anticipated long-term and accounts receivables. The com- Co. to retire unsecured short-term bank loans of the company and its subsidiaries, aggregating $9,643,687 on Jan. 2, 1957. The loans to be retired were incurred to finance increased inventories and accounts receivable. The company is currently negotiating with insurance companies for additional unsecured long-term loans totaling $5,000,000.

Brimberg Admitting

Philip R. Herzig will become a partner in Brimberg & Co., 26 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1.

To Be Hardy Partner

John H. Julian on Jan. 31 will be admitted to partnership in Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange.

Josephthal to Admit

On Feb. 1 Herman F. Froede will become a partner in Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Ungerleider to Admit

Arthur J. Schwartz will be admitted to partnership in Ungerleider & Co., 52 Broadway, New York City, members of the New York Stock Exchange.

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. 27	§97.5	*96.4	94.3	100.4
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 27	§2,496,000	*2,467,000	2,322,000	2,472,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 11	7,395,850	7,416,700	7,355,150	7,013,850
Crude runs to stills—daily average (bbls.)	Jan. 11	¶8,272,000	8,290,000	8,000,000	7,949,000
Gasoline output (bbls.)	Jan. 11	27,677,000	28,209,000	27,066,000	26,847,000
Kerosene output (bbls.)	Jan. 11	2,622,000	2,399,000	2,418,000	2,448,000
Distillate fuel oil output (bbls.)	Jan. 11	14,393,000	14,468,000	13,602,000	13,541,000
Residual fuel oil output (bbls.)	Jan. 11	9,319,000	8,745,000	8,360,000	9,179,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 11	184,243,000	*187,167,000	177,037,000	171,906,000
Kerosene (bbls.) at	Jan. 11	29,795,000	31,194,000	32,415,000	24,434,000
Distillate fuel oil (bbls.) at	Jan. 11	122,983,000	132,942,000	139,610,000	101,074,000
Residual fuel oil (bbls.) at	Jan. 11	42,727,000	42,371,000	43,145,000	39,325,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 12	680,766	561,519	716,652	710,338
Revenue freight received from connections (no. of cars)	Jan. 12	592,679	527,274	663,706	652,441
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 17	$334,976,000	$376,052,000	$456,571,000	$608,230,000
Private construction	Jan. 17	157,874,000	166,108,000	310,067,000	435,424,000
Public construction	Jan. 17	177,102,000	209,944,000	146,504,000	172,806,000
State and municipal	Jan. 17	107,228,000	132,697,000	115,082,000	132,233,000
Federal	Jan. 17	69,874,000	77,247,000	31,422,000	40,573,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 12	10,360,000	*7,415,000	10,690,000	10,635,000
Pennsylvania anthracite (tons)	Jan. 12	535,000	326,000	628,000	668,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 12	107	*93	260	104
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 19	12,556,000	12,327,000	12,227,000	11,521,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 17	278	256	214	269
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 15	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Jan. 15	$62.90	$62.90	$63.04	$59.09
Scrap steel (per gross ton)	Jan. 15	$59.17	$60.83	$65.17	$53.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 16	35.550c	35.525c	35.625c	43.575c
Export refinery at	Jan. 16	33.700c	33.575c	34.025c	46.225c
Lead (New York) at	Jan. 16	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Jan. 16	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Jan. 16	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Jan. 16	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Jan. 16	25.000c	25.000c	25.000c	25.000c
Straits tin (New York) at	Jan. 16	101.875c	100.500c	104.375c	104.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	91.36	90.30	88.11	96.04
Average corporate	Jan. 22	95.62	95.16	95.92	107.62
Aaa	Jan. 22	100.16	99.36	99.52	111.25
Aa	Jan. 22	97.78	97.47	98.09	109.60
A	Jan. 22	95.92	95.47	96.23	107.62
Baa	Jan. 22	89.09	88.81	90.34	102.46
Railroad Group	Jan. 22	94.41	94.12	94.56	106.04
Public Utilities Group	Jan. 22	96.38	96.23	97.00	108.16
Industrials Group	Jan. 22	95.92	95.16	96.38	109.06
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	3.21	3.30	3.48	2.80
Average corporate	Jan. 22	4.03	4.06	4.01	3.30
Aaa	Jan. 22	3.74	3.79	3.78	3.10
Aa	Jan. 22	3.89	3.91	3.87	3.19
A	Jan. 22	4.01	4.04	3.99	3.30
Baa	Jan. 22	4.48	4.50	4.39	3.60
Railroad Group	Jan. 22	4.11	4.13	4.10	3.39
Public Utilities Group	aJn. 22	3.98	3.99	3.94	3.27
Industrials Group	Jan. 22	4.01	4.06	3.98	3.22
MOODY'S COMMODITY INDEX	Jan. 22	435.5	434.9	441.0	403.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 12	298,301	135,504	249,212	261,871
Production (tons)	Jan. 12	277,588	102,280	281,309	296,030
Percentage of activity	Jan. 12	97	75	95	103
Unfilled orders (tons) at end of period	Jan. 12	475,500	454,259	416,158	622,501
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 18	111.01	110.78	110.13	107.47
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 29	918,899	1,231,451	1,503,670	931,198
Dollar value	Dec. 29	$46,912,489	$62,131,961	$68,215,531	$48,092,580
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 29	764,757	1,087,570	974,831	782,941
Customers' short sales	Dec. 29	3,743	4,481	13,149	2,904
Customers' other sales	Dec. 29	761,014	1,083,089	961,682	780,037
Dollar value	Dec. 29	$35,690,619	$52,588,609	$46,675,229	$36,325,614
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 29	182,500	281,890	236,820	213,860
Short sales	Dec. 29	------	------	------	------
Other sales	Dec. 29	182,500	281,890	236,820	213,860
Round-lot purchases by dealers—					
Number of shares	Dec. 29	337,380	446,220	557,640	338,910
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. 29	241,370	417,840	666,510	227,070
Other sales	Dec. 29	7,555,800	11,383,590	11,230,140	8,954,210
Total sales	Dec. 29	7,797,170	11,801,430	11,896,650	9,181,280
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 29	964,140	1,492,610	1,640,480	1,143,820
Short sales	Dec. 29	118,900	234,210	320,020	119,360
Other sales	Dec. 29	764,190	1,131,440	1,236,870	1,034,450
Total sales	Dec. 29	883,090	1,365,650	1,556,890	1,153,810
Other transactions initiated on the floor—					
Total purchases	Dec. 29	170,050	307,430	323,200	227,820
Short sales	Dec. 29	6,400	19,000	58,600	5,800
Other sales	Dec. 29	141,580	258,410	278,980	201,090
Total sales	Dec. 29	147,980	277,410	337,580	206,890
Other transactions initiated off the floor—					
Total purchases	Dec. 29	329,240	582,665	516,236	431,610
Short sales	Dec. 29	64,140	83,090	99,320	53,610
Other sales	Dec. 29	340,664	584,129	613,648	367,425
Total sales	Dec. 29	404,804	667,219	712,968	421,035
Total round-lot transactions for account of members—					
Total purchases	Dec. 19	1,463,430	2,382,705	2,479,916	1,803,250
Short sales	Dec. 29	189,440	336,300	477,940	178,770
Other sales	Dec. 29	1,246,434	1,973,979	2,129,498	1,602,965
Total sales	Dec. 29	1,435,874	2,310,279	2,607,438	1,781,735
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 15	116.6	*116.3	116.1	111.5
Farm products	Jan. 15	89.0	*88.2	87.6	83.9
Processed foods	Jan. 15	104.1	103.5	102.8	98.1
Meats	Jan. 15	82.5	80.3	79.4	71.3
All commodities other than farm and foods	Jan. 15	124.9	124.7	124.7	119.9

*Revised figure. ¶Includes 973,000 barrels of [illegible]de 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
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	172	166	191
Wholesale number	72	94	104
Retail number	472	482	404
Construction number	183	171	136
Commercial service number	83	86	73
Total number	982	999	908
Manufacturers' liabilities	$21,785,000	$11,714,000	$11,554,000
Wholesale liabilities	5,619,000	3,743,000	10,867,000
Retail liabilities	10,946,000	11,476,000	10,775,000
Construction liabilities	8,149,000	11,099,000	7,341,000
Commercial service liabilities	3,780,000	1,854,000	1,106,000
Total liabilities	$50,279,000	$39,886,000	$41,643,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	10,788	9,749	11,539
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Dec. 31 (000's omitted)	$506,000	$568,000	$510,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAD RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit, in millions as of Nov. 30:			
Total consumer credit	$40,631	$40,196	$37,114
Instalment credit	31,024	30,811	28,269
Automobile	14,449	14,478	13,326
Other consumer goods	7,752	7,601	7,169
Repairs and modernization loans	1,797	1,781	1,661
Personal loans	7,026	6,951	6,113
Noninstalment credit	9,607	9,385	8,845
Single payment loans	3,401	3,310	2,930
Charge accounts	4,029	3,875	3,839
Service credit	2,177	2,200	2,076
CONSUMER PRICE INDEX — 1947-49 = 100— Month of November:			
All items	117.8	117.7	115.0
Food	112.9	113.1	109.8
Food at home	111.3	111.7	108.2
Cereals and bakery products	127.0	126.8	123.9
Meats, poultry and fish	98.8	100.8	97.1
Dairy products	111.1	110.7	107.8
Fruits and vegetables	115.8	113.9	109.0
Other foods at home	115.2	115.8	113.1
Housing	123.0	122.8	120.9
Rent	133.8	133.4	130.9
Gas and electricity	111.8	112.0	111.5
Solid fuels and fuel oil	134.3	132.9	126.7
Housefurnishings	103.8	103.6	104.5
Household operation	124.5	124.2	120.5
Apparel	107.0	106.8	104.7
Men's and boys'	108.4	108.2	106.0
Women's and girls'	100.4	100.1	99.3
Footwear	126.2	126.2	119.2
Other apparel	92.1	92.1	91.0
Transportation	133.2	132.6	128.5
Public	173.4	173.0	167.8
Private	123.5	122.9	119.1
Medical care	134.5	134.1	129.8
Personal care	121.4	120.8	117.5
Reading and recreation	109.0	108.5	106.8
Other goods and services	123.2	123.0	120.6
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of November:			
Cotton Seed—			
Received at mills (tons)	1,070,580	1,572,928	1,405,786
Crushed (tons)	676,669	721,835	780,963
Stocks (tons) Nov. 30	2,353,184	1,959,273	2,523,221
Crude Oil—			
Stocks (pounds) Nov. 30	173,802,000	147,953,000	204,267,000
Produced (pounds)	229,605,000	241,749,000	262,589,000
Shipped (pounds)	169,019,000	169,249,000	203,340,000
Refined Oil—			
Stocks (pounds) Nov. 30	227,164,000	197,188,000	323,844,000
Produced (pounds)	159,780,000	161,282,000	189,943,000
Consumption (pounds)	127,954,000	124,424,000	130,453,000
Cake and Meal—			
Stocks (tons) Nov. 30	186,106	170,814	173,742
Produced (tons)	327,720	346,400	370,683
Shipped (tons)	312,428	316,502	367,612
Hulls—			
Stocks (tons) Nov. 30	61,652	56,190	110,870
Produced (tons)	142,245	153,882	172,985
Shipped (tons)	136,783	153,014	153,109
Linters (running bales)—			
Stocks Nov. 30	212,278	192,955	142,573
Produced	202,224	215,984	234,830
Shipped	182,901	168,138	206,038
Hull Fiber (1,000-lb. bales)—			
Stocks Nov. 30	649	662	546
Produced	1,086	1,225	1,141
Shipped	1,099	1,109	1,087
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Nov. 30	2,729	2,425	3,888
Produced	1,456	1,458	1,906
Shipped	1,152	1,148	2,708
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Dec.:			
Seasonally adjusted	147	*146	144
Unadjusted	144	*147	142
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Sept.:	2,802	2,618	2,294
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of October:			
Net railway operating income	$121,713,785	$97,428,272	$110,881,512
Other income	21,133,604	19,793,034	19,222,263
Total income	142,847,389	117,221,306	130,103,775
Miscellaneous deductions from income	4,289,067	4,127,042	5,276,739
Income available for fixed charges	138,558,322	113,094,264	124,827,036
Income after fixed charges	107,723,548	82,159,651	94,387,075
Other deductions	4,602,347	4,544,177	4,588,248
Net income	103,121,201	77,615,474	89,798,827
Depreciation (way & structure & equipment)	47,078,052	46,967,258	44,887,124
Federal income taxes	60,171,549	39,117,480	46,154,280
Dividend appropriations:			
On common stock	34,977,453	21,314,262	36,671,622
On preferred stock	1,649,203	1,413,130	1,599,624
Ratio of income to fixed charges	4.49	3.66	4.10
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	------	------
Net purchases	$21,328,450	$83,031,350	$234,829,850

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Affiliated Fund, Inc., New York
Jan. 10 filed 4,000,000 shares of capital stock (par $1.25). **Price**—At market. **Proceeds**—For investment.

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.

★ Aluminum Co. of America (2/5)
Jan. 17 filed 250,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To Arthur V. Davis, Board Chairman, who will continue to own 936,824 shares, or about 4.6% of the outstanding stock. **Underwriter**—The First Boston Corp., New York.

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.
Jan. 4 filed a maximum of $12,725,800 of 20-year 5% convertible subordinated debentures due Feb. 1, 1977 being 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. **Price**—100% of principal amount. **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.

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.

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.

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.

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. 13, 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 being offered first to prior preferred stockholders of record Dec. 17, 1956 on a 1-for-3 basis; rights to expire on Jan. 25. **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. (2/6)
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.

★ Carver Loan & Investment Co., Inc.
Jan. 4 (letter of notification) 15,000 shares of 6% cumulative preferred stock (par $10), of which 5,112 shares are subject to offer of rescission, and $150,000 of 5-year 6% subordinate renewable debentures (in denominations of $10 and $100 each). **Price** — At par. **Proceeds** — For working capital. **Office** — 1910 W. Columbia Ave., Philadelphia, Pa. **Underwriter**—None.

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. (2/6)
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; rights to expire on Feb. 23. **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.

★ Creative Arts Studio, Inc.
Jan. 4 (letter of notification) a maximum of $50,000 series A 5% bonds due Jan. 1, 1962 (in denominations of $100 each). **Price**—At par. **Proceeds**—For working capital. **Office**—814 H St., N. W., Washington, D. C. **Underwriter**—None.

★ Dayton Power & Light Co. (2/8)
Jan. 16 filed 328,630 shares of common stock (par $7) to be offered for subscription by common stockholders of record Feb. 8 on the basis of one new share for each eight shares held (with an oversubscription privilege); rights to expire on Feb. 28. **Price** — To be supplied by amendment (to be set by directors on Feb. 8). **Proceeds** —To repay bank loans and for construction program. **Underwriter**—None.

• Dayton Rubber Co. (1/30-31)
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.

★ Delaware Income Fund, Inc., Camden, N. J.
Jan. 15 filed 600,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Delaware Distributors, Inc., 300 Broadway, Camden, N. J.

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 Aircraft Co., Inc. (2/6)
Jan. 17 filed a maximum $30,000,000 (but not less than $25,000,000) of convertible subordinated debentures due Feb. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For working capital and addition and improvements to properties. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co., both of New York.

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.

• El Paso Natural Gas Co.
Dec. 14 filed 5,235,952 shares of common B stock (par $3) being offered in exchange for common stocks of Pacific Northwest Pipeline Corp. on the basis of 14 of common B stock for each eight shares of Pacific Northwest common stock. The offer, which is subject to

acceptance by holders of at least 2,435,000 shares of Pacific Northwest, will expire on Feb. 8, unless extended. **Underwriter**—None. Statement effective Jan. 7.

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.

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, III.
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**—Expected soon.

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.

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. Probable bidders: Blyth & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). 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.

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.

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

Continued on page 80

NEW ISSUE CALENDAR

January 24 (Thursday)

Pittsburgh & Lake Erie RR.____**Equip. Trust Ctfs.**
(Bids noon EST) $6,720,000

Royal State Bank of New York_________**Common**
(Offering to stockholders) $825,000

January 25 (Friday)

Hamilton Paper Co.__________________**Common**
(Offering to stockholders—to be underwritten by Stroud & Co., Inc.) 108,160 shares

January 28 (Monday)

Boston & Maine RR.__________**Equip. Trust Ctfs.**
(Bids 1 p.m. EST) $7,080,000

K D I Corp._____________________**Preferred**
(McDonald, Holman & Co., Inc.) $499,996

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

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) $5,882,800

May Stores Realty Corp._______________________**Bonds**
(Goldman, Sachs & Co. and Lehman Brothers) $25,000,000

Socony Mobil Oil Co.____________________**Common**
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 4,379,758 shares

February 1 (Friday)

Consumers Time Credit, Inc._________**Debentures**
(Walnut Securities Corp.; B. Ray Robbins Co.; and Berry & Co.) $250,000

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)

Public Service Co. of Oklahoma_____________**Bonds**
(Bids 11 a.m. EST) $12,000,000

February 5 (Tuesday)

Aluminum Co. of America_________________**Common**
(The First Boston Corp.) 250,000 shares

Baltimore & Ohio RR.__________**Equip. Trust Ctfs.**
(Bids noon EST) $3,360,000

February 6 (Wednesday)

Carrier Corp._______________________**Debentures**
(Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.) $18,000,000

Colorado Fuel & Iron Corp.__________**Debentures**
(Offering to stockholders—to be underwritten by Allen & Co.) $19,903,300

Douglas Aircraft Co.________________**Debentures**
(Merrill Lynch, Pierce Fenner & Beane and Kuhn, Loeb & Co.) $30,000,000

Quebec Hydro-Electric Commission___**Debentures**
(The First Boston Corp. and A. E. Ames & Co., Inc.) $35,000,000

Stanrock Uranium Mines, Ltd.__**Bonds & Common**
(Blyth & Co., Inc. and Dominion Securities Corp., Ltd.) $26,000,000

February 8 (Friday)

American Natural Gas Co.________________**Common**
(Offering to stockholders—no underwriting) 442,114 shares

Dayton Power & Light Co.________________**Common**
(Offering to stockholders—no underwriting) 328,630 shares

Phillips Petroleum Co._______________**Debentures**
(Offering to stockholders—to be underwritten by The First Boston Corp.) $171,750,000

February 11 (Monday)

Macy (R. H.) & Co., Inc.______________**Debentures**
(Offering to common stockholders—underwritten by Lehman Brothers and Goldman, Sachs & Co.) $12,281,100

Midland Commercial Corp.___________**Debentures**
(A. J. Grayson & Co., Inc.) $480,000

Midland Commercial Corp.______________**Common**
(A. J. Grayson & Co., Inc.) 52,500 shares

February 13 (Wednesday)

Norfolk & Western Ry.__________**Equip. Trust Ctfs.**
(Bids noon EST) $2,925,000

Potomac Electric Power Co.____________**Debentures**
(Bids to be invited) $30,000,000

February 14 (Thursday)

New York, Chicago & St. Louis RR. **Equip. Trust Ctfs.**
(Bids to be invited) $6,400,000

Potomac Electric Power Co.______________**Preferred**
(Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) $15,000,000

February 15 (Friday)

Franklin Discount Co._______________**Debentures**
(No underwriting) $100,000

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.) $112,500,000

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 523,000 shares

February 26 (Tuesday)

Consolidated Edison Co. of New York, Inc.__**Debs.**
(Bids to be invited) $55,087,300

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

Lone Star Gas Co.____________________**Preferred**
(Offering to common stockholders—underwritten by The First Boston Corp.) $15,483,400

March 6 (Wednesday)

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 13 (Wednesday)

Southern Co.___________________________**Common**
(Offering to stockholders—bids 11 a.m. EST) 1,507,304 shares

March 15 (Friday)

Ford Gum & Machine Co., Inc._______________**Bonds**
(No underwriting) $250,000

March 19 (Tuesday)

Appalachian Electric Power Co._______________**Bonds**
(Bids to be invited) $29,000,000

March 26 (Tuesday)

American Telephone & Telegraph Co.________**Bonds**
(Bids to be invited) $250,000,000

March 28 (Thursday)

New Orleans Public Service Inc.______________**Bonds**
(Bids to be invited) $6,000,000

April 11 (Thursday)

Mississippi Power Co.______________________**Bonds**
(Bids to be invited) about $6,000,000

May 9 (Thursday)

Alabama Power Co. ________________________**Bonds**
(Bids to be invited) $14,500,000

May 28 (Tuesday)

National Fuel Gas Co.________________**Debentures**
(Bids 11:30 a.m. EST) $15,000,000

June 6 (Thursday)

Georgia Power Co.__________________________**Bonds**
(Bids to be invited) $15,500,000

Continued from page 79

unless at least 80% of the class A and class B stock of Savoy-Plaza is tendered. Statement effective Dec. 26.

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.

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. **Offering**—Date indefinite.

● **K D I Corp., Rochester, N. Y. (1/28-31)**
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.

● **Life Insurance Co. of South Carolina**
Oct. 15 filed 337,800 shares of common stock (no par) being offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held; rights to expire on Jan. 28, 1957. **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.) (1/28)**
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 $23.50 per share. **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.

★ **Macy (R. H.) & Co., Inc. (2/11)**
Jan. 18 filed $12,281,100 of convertible subordinated debentures due Feb. 1, 1977, to be offered for subscription by common stockholders of record Feb. 8, 1957 on the basis of $100 of debentures for each 14 shares of stock held; rights to expire on Feb. 25, 1957. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

● **May Stores Realty Corp. (1/31)**
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.

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 (2/11)**
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 (2/11)**
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.

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**—To be received up to 11 a.m. (EST) on Jan. 29 at Room 2315, 195 Broadway, New York, N. Y.

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 319,000 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.

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., Struthers, Ohio
Dec. 21 (letter of notification) 41,295 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.

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.

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 today (Jan. 24).

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.

★ Pittsburgh Consolidation Coal Co.
Oct. 3 filed 2,678,697 shares of common stock (par $1) being offered in exchange for common stock of Pocahontas Fuel Co. on the basis of 2⅝ shares of Pittsburgh for each Pocahontas common share. The offer, which has been declared effective, has been extended until 3 p.m. (EST) on Feb. 1, 1957.

● Plastic Wire & Cable Corp.
Dec. 27 (letter of notification) 14,514 shares of common stock (par $5) being offered to stockholders of record Dec. 17, 1956 on the basis of one new share for each 12 shares held; rights to expire on Feb. 8. **Price**—$16.50 per share. **Proceeds**—For expansion and additional working capital. **Office**—East Main St., Jewett City, Conn. **Dealer-Manager**—Putnam & Co., Hartford, Conn.

★ Potomac Electric Power Co. (2/13)
Jan. 18 filed $30,000,000 of debentures due Feb. 15, 1982. **Proceeds**—To redeem presently outstanding preferred stock and repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co., White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Feb. 13.

★ Potomac Electric Power Co. (2/14)
Jan. 18 filed 300,000 shares of preferred stock, series of 1957 (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters** — Dillon, Read & Co. Inc., New York and Johnston, Lemon & Co., Washington, D. C.

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 to be received up to 11 a.m. (EST) on 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.

★ Quebec Hydro-Electric Commission (2/6)
Jan. 18 filed $35,000,000 of debentures, series Q, due Feb. 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—Together with other fund, toward payment of $61,057,300 series E debentures which will mature on March 1, 1957. **Underwriters**—The First Boston Corp. and A. E. Ames & Co Inc., both of New York.

● Riegel Textile Corp.
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.

★ Savannah Sports Arena, Inc., Savannah, Ga.
Jan. 10 (letter of notification) 7,900 shares of common stock. **Price** — At par ($10 per share). **Underwriter**—None.

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.

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 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 California Edison Co. (2/19)
Jan. 22 filed $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 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 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.

★ Stanrock Uranium Mines, Ltd., Toronto (2/6)
Jan. 16 filed $26,000,000 of first mortgage sinking fund bonds due June 1, 1963, and an unspecified number of common shares (par $1-Canadian) to be offered in units of $1,000 of debentures and an unspecified number of common shares to be offered in the United States and Canada. **Price**—To be supplied by amendment. **Proceeds**—To repay borrowings and for construction program. **Underwriters**—Blyth & Co., Inc., New York, and The Dominion Securities Corp., Ltd., Toronto, Canada.

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 (1/30)
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 as of Jan. 22, 1957; rights to expire on Feb. 19. The remaining 26,152 shares are being 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**—$14 per share. **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. (2/15)
Nov. 26 filed $75,000,000 (Canadian) of subordinated debentures due 1986 and 3,750,000 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.

★ Transition Metals & Chemicals, Inc.
Jan. 23 filed 1,615,500 shares of common stock and 2,126,500 common stock purchase warrants, of which 250,000 shares of stock and 250,000 warrants are to be offered publicly in units of one common share and one warrant. **Price**—$2.01 per unit. **Proceeds**—For construction of plant and other facilities; for equipment; and working capital. **Underwriter**—M. S. Gerber, Inc., New York.

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 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.

Continued on page 82

Continued from page 81

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.**
Jan. 4 filed 65,568 shares of 5.20% 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**—At par and accrued dividends. **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)**
Jan. 21 it was announced company plans to issue and sell $14,500,000 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.; 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**—Expected to be received on May 9. **Registration**—Planned for April 12.

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 will be received by the company up to noon (EST) Feb. 5 for the purchase from it of $3,360,000 equipment trust certificates due annually 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.

★ **Beckjord Manufacturing Co.**
Jan. 18 (letter of notification) $275,000 of 6% unsecured debentures due Feb. 1, 1966 and 275,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 100 shares of stock. **Price**—$100 per unit. **Proceeds** — For equipment, working capital, etc. **Office**—7 West Water St., Toms River, N. J. **Underwriter**—None.

● **Boston & Maine RR. (1/28)**
Bids will be received by this company up to 1 p.m. (EST) on Jan. 28 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.

★ **Cabot Music Corp.**
Jan. 15 (letter of notification) 2,300 shares of Class A stock (par $1) and 2,300 shares of Class B stock (par $100) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds**—For producing, leasing and packaging records and working capital. **Office** — Suite 1400, 530 Fifth Ave., New York, N. Y. **Underwriter**—None.

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**
Jan. 22 the bank offered 125,000 additional shares of capital stock to stockholders of record Jan. 16, 1957 on a 1-for-7 basis; rights to expire on Feb. 13. **Price**—$35 per share. **Underwriter**—McDonald & Co., Cleveland, Ohio.

★ **Central & South West Corp.**
Jan. 21, it was announced company plans to issue and sell approximately 526,000 additional shares of common stock (par $5) this Spring. **Proceeds** — Approximately $20,000,000 to pay off $7,500,000 of bank loans, and $10,500,000 of the remaining funds to purchase equity securities of company's subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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. **Proceeds**—Expected to be about $15,000,000, to finance part of its construction pgrogram. **Underwriter**—None. **Offering**—Expected in February.

● **Consolidated Edison Co. of New York, Inc. (2/26)**
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.).

★ **Consumers Time Credit, Inc. (2/1)**
Jan. 17 (letter of notification) $250,000 of 6% renewable debentures (subordinated), payable upon demand) Feb. 1, 1962 or payable (without demand) Feb. 1, 1967. **Price**—At par. **Proceeds** — For loans, working capital, etc. **Underwriters** — Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York, N. Y.; and Berry & Co., Newark, N. J.

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.

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.

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.

● Georgia Power Co. (6/6)
Jan. 21 it was announced the company is planning issuance and sale of $15,500,000 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.

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.

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. (3/5)
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 as of record about March 5, 1957; rights to expire about March 25. **Price**—Expected at par ($100 per share). **Proceeds** — From sale of preferred stock, plus funds from sale 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.

★ Lone Star Gas Co.
Jan. 11 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., New York. **Offering**—Tentatively expected late in April.

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)
Jan. 21 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; 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. (3/28)
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. **Bids**—Tentatively expected to be received on March 28.

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 1957 $25,000,000 of first mortgage bonds, 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).

★ Norfolk & Western Ry. (2/13)
Bids will be received by the company up to noon (EST) on Feb. 13 for the purchase from it of $2,925,000 equipment trust certificates, series A, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Pacific Telephone & Telegraph Co.
Jan. 14, James S. Cantlen, Vice-President, announced that company plans to spent $159,000,000 in 1957 and $157,000,000 in 1958 for expansion and improvement to be financed in part, by debt borrowings and stock issues. About 90% of Pacific's stock is owned by American Telephone & Telegraph Co. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

Public Service Co. of Colorado
Oct. 8 it was reported company plans the issue and sale of $30,000,000 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.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

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.

★ Royal State Bank of New York (1/24)
Jan. 17 it was announced bank plans to offer to its stockholders 50,000 additional shares of capital stock (par $5) on the basis of one new share for each six

Continued on page 84

of stock held; rights to expire on Feb 25 1957. **Price**—To 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.

★ Pittsburgh Consolidation Coal Co.
Oct. 3 filed 2,678,697 shares of common stock (par $1) being offered in exchange for common stock of Pocahontas Fuel Co. on the basis of 2⅜ shares of Pittsburgh for each Pocahontas common share. The offer, which has been declared effective, has been extended until 3 p.m. (EST) on Feb. 1, 1957.

• Plastic Wire & Cable Corp.
Dec. 27 (letter of notification) 14,514 shares of common stock (par $5) being offered to stockholders of record Dec. 17, 1956 on the basis of one new share for each 12 shares held; rights to expire on Feb. 8. **Price**—$16.50 per share. **Proceeds**—For expansion and additional working capital. **Office**—East Main St., Jewett City, Conn. **Dealer-Manager**—Putnam & Co., Hartford, Conn.

★ Potomac Electric Power Co. (2 13)
Jan. 18 filed $30,000,000 of debentures due Feb. 15, 1982. **Proceeds**—To redeem presently outstanding preferred stock and repay bank loans. **Underwriter** -To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co., White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Feb. 13.

★ Potomac Electric Power Co. (2 14)
Jan. 18 filed 300,000 shares of preferred stock, series of 1957 (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters** — Dillon, Read & Co. Inc., New York and Johnston, Lemon & Co., Washington, D. C.

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 to be received up to 11 a.m. (EST) on 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.

★ Quebec Hydro-Electric Commission (2 6)
Jan. 18 filed $35,000,000 of debentures, series Q, due Feb. 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—Together with other fund, toward payment of $61,057,300 series E debentures which will mature on March 1, 1957. **Underwriters**—The First Boston Corp. and A. E. Ames & Co Inc., both of New York.

• Riegel Textile Corp.
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.

★ Savannah Sports Arena, Inc., Savannah, Ga.
Jan. 10 (letter of notification) 7,900 shares of common stock. **Price** — At par ($10 per share). **Underwriter**—None.

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.

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 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 California Edison Co. (2/19)
Jan. 22 filed $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 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 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.

★ Stanrock Uranium Mines, Ltd., Toronto (2/6)
Jan. 16 filed $26,000,000 of first mortgage sinking fund bonds due June 1, 1963, and an unspecified number of common shares (par $1-Canadian) to be offered in units of $1,000 of debentures and an unspecified number of common shares to be offered in the United States and Canada. **Price**—To be supplied by amendment. **Proceeds**—To repay borrowings and for construction program. **Underwriters**—Blyth & Co., Inc., New York, and The Dominion Securities Corp., Ltd., Toronto, Canada.

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 (1/30)
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 as of Jan. 22, 1957; rights to expire on Feb. 19. The remaining 26,152 shares are being 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**—$14 per share. **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. (2/15)
Nov. 26 filed $75,000,000 (Canadian) of subordinated debentures due 1986 and 3,750,000 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.

★ Transition Metals & Chemicals, Inc.
Jan. 23 filed 1,615,500 shares of common stock and 2,126,500 common stock purchase warrants, of which 250,000 shares of stock and 250,000 warrants are to be offered publicly in units of one common share and one warrant. **Price**—$2.01 per unit. **Proceeds**—For construction of plant and other facilities; for equipment; and working capital. **Underwriter**—M. S. Gerber, Inc., New York.

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 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.

Continued on page 82

Continued from page 81

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.**
Jan. 4 filed 65,568 shares of 5.20% 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**—At par and accrued dividends. **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)**
Jan. 21 it was announced company plans to issue and sell $14,500,000 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.; 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**—Expected to be received on May 9. **Registration**—Planned for April 12.

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 will be received by the company up to noon (EST) Feb. 5 for the purchase from it of $3,360,000 equipment trust certificates due annually 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.

★ **Beckjord Manufacturing Co.**
Jan. 18 (letter of notification) $275,000 of 6% unsecured debentures due Feb. 1, 1966 and 275,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 100 shares of stock. **Price**—$100 per unit. **Proceeds** — For equipment, working capital, etc. **Office**—7 West Water St., Toms River, N. J. **Underwriter**—None.

● **Boston & Maine RR. (1/28)**
Bids will be received by this company up to 1 p.m. (EST) on Jan. 28 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.

★ **Cabot Music Corp.**
Jan. 15 (letter of notification) 2,300 shares of Class A stock (par $1) and 2,300 shares of Class B stock (par $100) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds**—For producing, leasing and packaging records and working capital. **Office** — Suite 1400, 580 Fifth Ave., New York, N. Y. **Underwriter**—None.

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**
Jan. 22 the bank offered 125,000 additional shares of capital stock to stockholders of record Jan. 16, 1957 on a 1-for-7 basis; rights to expire on Feb. 13. **Price**—$35 per share. **Underwriter**—McDonald & Co., Cleveland, Ohio.

★ **Central & South West Corp.**
Jan. 21, it was announced company plans to issue and sell approximately 526,000 additional shares of common stock (par $5) this Spring. **Proceeds** — Approximately $20,000,000 to pay off $7,500,000 of bank loans, and $10,500,000 of the remaining funds to purchase equity securities of company's subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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. **Proceeds**—Expected to be about $15,000,000, to finance part of its construction program. **Underwriter**—None. **Offering**—Expected in February.

● **Consolidated Edison Co. of New York, Inc. (2/26)**
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.).

★ **Consumers Time Credit, Inc. (2/1)**
Jan. 17 (letter of notification) $250,000 of 6% renewable debentures (subordinated), payable upon demand) Feb. 1, 1962 or payable (without demand) Feb. 1, 1967. **Price**—At par. **Proceeds** — For loans, working capital, etc. **Underwriters** — Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York, N. Y.; and Berry & Co., Newark, N. J.

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.

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.

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.

● Georgia Power Co. (6/6)
Jan. 21 it was announced the company is planning issuance and sale of $15,500,000 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.

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.

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. (3/5)
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 as of record about March 5, 1957; rights to expire about March 25. **Price**—Expected at par ($100 per share). **Proceeds** — From sale of preferred stock, plus funds from sale 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.

★ Lone Star Gas Co.
Jan. 11 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., New York. **Offering**—Tentatively expected late in April.

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)
Jan. 21 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; 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. (3/28)
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. **Bids**—Tentatively expected to be received on March 28.

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 1957 $25,000,000 of first mortgage bonds, 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).

★ Norfolk & Western Ry. (2/13)
Bids will be received by the company up to noon (EST) on Feb. 13 for the purchase from it of $2,925,000 equipment trust certificates, series A, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Pacific Telephone & Telegraph Co.
Jan. 14, James S. Cantlen, Vice-President, announced that company plans to spent $159,000,000 in 1957 and $157,000,000 in 1958 for expansion and improvement to be financed in part, by debt borrowings and stock issues. About 90% of Pacific's stock is owned by American Telephone & Telegraph Co. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

Public Service Co. of Colorado
Oct. 8 it was reported company plans the issue and sale of $30,000,000 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.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

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.

★ Royal State Bank of New York (1/24)
Jan. 17 it was announced bank plans to offer to its stockholders 50,000 additional shares of capital stock (par $5) on the basis of one new share for each six

Continued on page 84

Continued from page 83

shares owned of record Jan. 24; rights to expire on March 1. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus.

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 Gas Co.
Jan. 21 it was announced company plans to issue and sell about $35,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Offering**—Expected in August or September, 1957.

● Southern Co. (3/13)
Jan. 21 it was announced company plans to offer to its common stockholders of record March 13, 1957 the right to subscribe on or before April 4, 1957 for 1,507,304 additional shares of common stock on a 1-for-13 basis. **Price**—To be fixed March 12. **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 Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 13 at 25 Park Ave., New York, N. Y. **Registration**—Expected Feb. 15.

● Southern Counties Gas Co. of California (3/6)
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 6.

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.

★ Southern Pacific Co.
Jan. 15 it was reported company may be planning to issue and sell $9,600,000 equipment trust certificates due annually 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 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.
Jan. 15 bank offered to its stockholders of record Jan. 8 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

The winds shift direction rapidly in the corporate new issue market these days judging by reports of some observers. After coming in actively on the buying side during the first fortnight of the new year, institutions were said to be backing away a bit more recently.

But this week, despite their recent coolness to new public utility debt issues, there were indications that such new securities can be sold readily if the terms, especially the "call feature," are right. The latter, at the moment, is quite as important in swaying the buyer as is the price and yield.

Accordingly, while several issues brought out a week ago were reported to be still on shelves in some volume, Pacific Gas & Electric's $35 million of new debentures proved a major success carrying a 4½% coupon and priced at "par" to yield 4.50%.

The earlier slowdown in institutional demand had affected chiefly the offerings made for Louisiana Power & Light and for Oklahoma Gas & Electric, both of which proved to be on the "slow" side.

Those who keep close tabs on the ebb and flow of buyer interest were disposed to ascribe the tapering off interest chiefly to the "call" provisions in those issues.

Naturally, in these days of relatively high-price money, corporations, especially the utilities, are disposed to place themselves in position, as best they can, to refinance such loans when, and if, the opportunity arises.

The Week AHEAD

Underwriters and distributing houses will have little to complain about next week, at least from a standpoint of volume of new business shaping up. Rather it promises to be a busy period and one of well-diversified material.

Equally to the liking of investment bankers is the fact that a substantial part of the week's business will be of the negotiated variety with a fair sprinkling of issues to be bid for.

As a general rule bankers prefer negotiated business not alone for the better return normally realized, but also because, being in a position to price the securities involved more realistically, they are able to offer investors a better deal.

Mountain States Telephone & Telegraph Co. is slated to open bids on Tuesday for a new issue of $35 million of its debentures. Proceeds will permit the company to repay advances received from the parent company, American Telephone & Telegraph Co.

Socony Mobil Oil Co.'s offering of 4,379,758 shares of additional capital stock will top the equity list. To be offered first to stockholders, this issue will provide funds for further expansion.

"Rights" Offerings Due

A goodly smattering of standby operations will round out the week's new business in addition to Socony Mobil's big offering. On Wednesday bankers will bid for the privilege of underwriting any portion of an issue of 580,613 shares of Ohio Edison common not taken by stockholders.

Brunswick-Balke-Collender has approximately $3.9 million of convertible debentures scheduled for offering first to its shareholders. The purpose here is to augment working capital.

A number of smaller "standbys" are on schedule and New England Electric System is slated to open books, through investment bankers, on its exchange offer to Lynn (Mass.) Gas & Electric Co., of two shares of New England for each share of Lynn, for a 30-day period.

Further Ahead

Among the larger undertakings slated to materialize in later weeks is Trans-Canada Pipe Lines Ltd.'s $75 million of debentures, plus 3,750,000 shares of $1 par common stock, to be marketed in units of $100 of debentures and five shares of stock.

Delaware Fund reported that gross sales of shares totaling $4,-987,810 for the final three months of 1956 were the largest for any quarter in the fund's 19-year history. They compare with sales of $4,580,243 in the corresponding period of 1955.

The fund also recorded its best December with sales amounting to $2,256,946—an 81% gain over the $1,241,567 reported for the same month a year ago.

Gross sales totaling $13,014,394 for the year compared with $14,-304,411 for 1955. W. Linton Nelson, President, in his recent Directors' Letter, commented that the fund's rate of redemptions in 1956 "was even smaller than in the preceding year — 5.11% of shares outstanding as compared with 6.21%."

Selected American Shares, Inc. sales in the year 1956 rose to $12,-704,811 the largest volume recorded for any year in the 24-year history of the fund, and an increase of 52.4% from sales of $8,335,944 in 1955.

Piersol, O'Brien Add

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Jack L. Perry has become affiliated with Piersol, O'Brien & Adams, Inc., 1012 Baltimore Avenue.

Mutual Funds

By ROBERT R. RICH

Hugh W. Long Starts Withdrawal Plan

A new investment service for retired persons which provides varying monthly or quarterly cash payments for an assured period of years has been announced by Hugh W. Long and Company, Inc., of Elizabeth, New Jersey. Called the "Systematic Withdrawal Account," the service was especially designed for the many persons who wish to spend a certain amount of investment principal along with dividends in order to meet their financial requirements.

The "Withdrawal Account" is created through a custody agreement between the individual and The First National Bank of Jersey City under which the bank pays out income and the proceeds from liquidation of mutual fund investments over whatever period of years the individual selects. The period can be any specified number of years, or may be extended for the investor's lifetime.

Amounts paid out depend primarily on three things—the dollar total of the mutual fund investments placed in the account, changes in value of these shares month by month over the years and the length of time during which payments are to be made.

Up to now, the principal emphasis in providing special service facilities to investors has been for the planned accumulation of investments. According to Hugh W. Long, President of the Long Company which is national underwriter for Fundamental Investors, Inc., and three other mutual funds, "This new service concerns itself with planned liquidation of investments—a necessity for the many people whose investments are not large enough to produce income adequate for their purpose."

Pointing out the dangers of purchasing speculative or inferior quality securities in order to obtain high yields, Mr. Long observed that the alternative course for prudent people is to spend income from sound investments plus measured amounts of investment principal.

"By arranging to receive varying payments from a Systematic Withdrawal Account," Mr. Long continued, "the investor can be sure that his principal will last for whatever period of time he or she chooses. In addition, since the investments under this new service are shares of mutual funds, their gradual liquidation does not disturb diversification nor interrupt management of invested assets."

Pennroad Votes To Become Regulated Trust

The board of directors of The Pennroad Corporation at a meeting today, determined that in filing its tax return for 1956, Pennroad will elect to become a Regulated Investment Company so that the corporation will not be subjected to any Federal income taxes on income paid out as dividends in 1956, or in the future.

At the same time, directors initiated a policy of quarterly dividend payments with the declaration of a dividend of 12 cents per share, payable from 1956 undistributed net income, and 48 cents per share, payable from 1956 net realized gains on investments, both dividends payable March 18, 1957 to stockholders of record Feb. 21; in addition, directors declared a dividend of 15 cents per share, representing the balance of undistributed net income for the year 1956, payable June 10, 1957 to stockholders of record May 17.

As a Regulated Investment Company and under previously announced policy, Pennroad will pay out substantially all of the corporation's net investment income which will be taxable to the stockholders as dividend income. In addition, it expects to distribute to stockholders all future net long term capital gains realized by the corporation in such manner that the stockholders will receive the benefits of long term capital gains treatment on such distributions.

Five savings bank executives were re-elected to the 15-man board of directors of Institutional Investors Mutual Fund, Inc. for three-year terms to help guide the operations of this mutual investment fund organized and operated to facilitate New York State savings banks' investments in equities.

Renamed by the stockholders at their annual meeting here were: William H. Harder, Vice-President, Buffalo Savings Bank; J. Wilbur Lewis, President, Union Dime Savings Bank, New York; Alfred C. Middlebrook, Vice-President, East River Savings Bank, New York; A. Edward Scherr Jr., Vice-President and Treasurer, the Dime Savings Bank of Brooklyn; and Cornelius C. Van Patten, President, the Binghamton Savings Bank.

At last report, Institutional Investors Mutual Fund, Inc. held net assets of over $26 million (as of Dec. 31, 1956). Originally organized in 1953 to allow the state's savings banks to invest in a prudent, diversified manner in common stocks, IIMF's shares sold at $1,000. Latest reported net asset value of the shares (as of Jan. 8, 1957) was $1,591.

Of the state's 128 mutual savings banks eligible to invest in IIMF, 69 now hold its shares. By law, savings banks in New York State are authorized to invest up to 3% of their assets in common stocks.

Wellington's Kulp Sees Business Up Slightly

The year 1957 is beginning with the general level of business activity edging up slightly, A. Moyer Kulp, Vice-President and Chairman of the Investment Committee of the $550,000,000 Wellington Fund, stated in a review of business conditions.

Business activity during the year is expected to be satisfactory, but, like 1956, there will be many cross-currents. Automobile production and residential building, off sharply last year, show promise of stabilizing in 1957. Recent surveys suggest that the rising trend in business spending for plant and equipment may tend to level off. Federal spending and state and local expenditures are on a rising trend. Individual spendable income is rising and consumer expenditures are expected to be above last year, he said.

The Wellington executive stated that it should be realized that business is now at record levels and the improvement expected is of moderate dimensions. Business approached a temporary ceiling in 1955, and from that point expansion has been at about the rate of the country's historical long term growth trend. This is close to 4% in physical output and about 5% to 6% in current dollars. The principal limiting factor is the availability of man-power because of full employment. This appears to be a consolidating period in which a base is being established.

Discussing the tight money situation, Mr. Kulp pointed out that the credit restraint policy of the Federal Reserve System has been helpful in stabilizing the economy at the high levels attained. This is a difficult problem for the Federal Reserve because some of the unstabilizing factors are outside the monetary field. For example, the rising wage-price trend has been a powerful influence in exerting an upward pressure in prices. The Federal Reserve has therefore, been supplying additional credit only in the same degree as the nation grows, Mr. Kulp stated.

Century Shares Reports Assets Of $47 Million

Century Shares Trust, oldest and largest mutual investment company specializing in insurance company and bank stocks, reports total net assets of $47,097,030 at the close of its 29th year on Dec. 31, 1956, equivalent to $22.05 per share on 2,136,291 outstanding shares.

These figures compare with net assets of $49,656,563 shown in the previous semi-annual report as of June 30, 1956, equal to $23.27 per share on 2,133,707 shares; and with $55,117,390 on Dec. 31, 1955, amounting to $26.26 per share on 2,099,253 shares then outstanding.

In their annual report to shareholders, the trustees point out that dividends from investment income in 1956 amounted to 54 cents per share, an increase of 8% from the 50 cents paid in 1955 without taking into account the effect of re-investment of the capital gains distribution of Jan. 31, 1956, which was accepted in additional shares by holders of over 76% of the outstanding shares. In connection with income distributions, the report notes that:

"The Trust has paid dividends in varying amounts without interruption since the first dividend on Feb. 1, 1929. Dividends paid during the recent decade have increased by 73% as compared to the 22% increase in the cost of living."

Reviewing the position of investments of the type held in the potrfolio, the report observes that:

"The investment income of the fire and casualty insurance companies in 1956 showed further substantial increases. It is investment income rather than underwriting results which usually determines dividend payments by these companies. Premiums received in 1956 appear to have been about 5% greater than in 1955. Underwriting experience for many companies was unsatisfactory. As fire and casualty insurance premium rates as allowed by state insurance commissioners are designed to provide a reasonable underwriting profit for

Continued on page 86

Continued from page 4

Observations . . .

	Announcement Date	Price Change to Dec. 31,'55 Actual	Rel. to D. J.*	Price Change to Dec. 31, 1956 Actual	Rel. to D. J.*
Ohio Oil	Feb. 1	— 9	—45	+ 7	32
Minneap. Honeywell	Feb. 1	+22	110	+60	272
Texas Gulf Prod.	Feb. 3	+30	143	22	108
Western Union	Feb. 8	21	—10	—14	— 63
Pure Oil	Feb. 8	— 2	—10	22	50
Copper Range	Feb. 8	+58	210	+40	182
Excello	Feb. 14	+38	200	+81	343
Penn-Dixie Cement	Feb. 15	+18	91	+40	210
Republic Steel	Feb. 15	+18	91	+34	176
Lily Tulip Cup	Feb. 17	+ 2	11	+ 4	19
Miss. River Fuel	Feb. 28	+ 8	44	+17	86
Denver Rio Grande RR.	Feb. 28	+ 6	56	+ 3	75
Florida Power	Feb. 28	+34	132	+50	714
Amerada Petroleum	Mar. 14	—11	—44	+12	45
Kans. Gas & Elec.	Mar. 15	— 8	—27	— 8	— 80
Aluminum Co. Amer.	Mar. 24	+74	490	+64	320
U. S. Hoffman Mach.	Mar. 30	+10	67	—20	89
Kaiser Aluminum	Apr. 5	+47	36	+50	—250
Grand Union	Apr. 7	+17	100	+2	10
Monsanto	May 4	+ 3	18	—21	—105
Reliable Stores	July 8	—16	—27	—19	—214
Black & Decker	July 8	+ 9	150	+36	—400
Rayonier	Jun. 21	+ 1	11	—17	—170
Owens-Ill. Glass	July 20	+13	217	+3	33
Life Savers	July 20	—13	—217	+ 9	100
Gillette	July 21	+ 2	33	+ 5	56
Evans Prods.	July 21	—18	—30	— 8	— 89
U. S. Pipe	July 22	—16	—32	— 8	—100
General Motors	July 5	+ 5	83	+15	166
Reynolds Metals	July 29	+14	28	+35	438
Texas Utilities	Aug. 22	— 1	—33	+ 3	50
Hertz Corp.	Sep. 8	+10	333	+47	940
U. S. Gypsum	Sep. 12	— 3	—100	—11	—250
Chic., R. I. & Pac. RR.	Sep. 12	—12	—24	—26	—600†
Sears Roebuck	Sep. 23	— 8	—800	—28	—933
Marquette Cement	Sep. 30	— 1	—20	— 6	— 75
Woodward Iron	Oct. 6	+ 3	43	—17	— 23
Ritter Co.	Oct. 12	+13	143	— 5	— 42
American Investment	Oct. 18	9	—33	—14	—133
Intertype Corp.	Oct. 19	—12	—150	—21	—175
Alleg. Ludlum Steel	Oct. 27	+14	175	+122	+1000
Standard Oil N. J.	Nov. 3	+ 2	33	+26	325
Cinc. Milling	Nov. 10	+ 1	33	+40	800
Johns Manv.	Nov. 16	+10	1000	+ 1	33
Continental Ins.	Nov. 17	— 2	—200	—16	—533
Fidel. Phenix Ins.	Nov. 17	Unch.	0§	—13	—433
Lehigh Portl. Cement	Nov. 18	+11	550	+22	540
Pitts. Cons. Coal	Nov. 21	+ 5	500	+45	900
Visking Corp.	Nov. 22	— 2	—200	+12	300
Union Pacific	Nov. 23	—11	—1100	—25	—500†
Otis Elevator	Nov. 23	+ 2	200	+19	475
Montgomery Ward	Nov. 23	— 9	—450	5	—480
Federated Stores	Nov. 30	Unch.	0§	—11	—220
Philips Jones	Nov. 30	— 6	—600	—20	—400
Hercules Powder	Nov. 30	— 5	—500	—18	—360

§The D. J. Average advanced, while the stock was unchanged, evidencing the latter's inferior performance.

*The second and fourth statistical columns, showing relative price changes adjusted to allow for changes in the market's movement, using the corresponding Dow Jones Average as an index, are computed as follows: The percentage change in the price of the stock from the announcement date to the end of 1955 and to the end of 1956 is divided by the concurrent change in the corresponding Dow Jones Average (industrial, rail, or utility). The same change as the Dow Jones Average is shown as 100. Cases of a decline in the stock price are prefaced by a minus sign; a dagger denotes that the Dow Jones Average declined.

NOTE—A performance superior to the D. J. is indicated in all cases where, without a minus sign, the figure exceeds 100%; where the figure is under 100% or is prefaced by a minus, the stock performance is inferior.

THE IMPACT OF DIVIDEND POLICY

A compilation we have made of the respective dividend actions pertaining to the split stocks during the periods under review confirms the joint importance of the dividend-payment factor as a stock price influence. Of the 21 companies whose price record is shown as exceeding the Dow Jones Average in 1955, 19 increased their dividend rate before the end of that year. Of 24 companies with superior performances in 1956, all had dividend increases.

The other side of the same picture is shown in the following tabulation of the split companies which did not increase their dividend in 1955 (one issue, Briggs, reduced its dividend in 1956), and which for the most part had a relatively poor market performance.

Companies Which Failed to Follow the Usual Pattern of Increasing The Dividend Rate Along with the Stock Split

	1955 Div. Change from Pre-Split Period	1955 Price Change Rel. to D. J.	1956 Price Change Rel. to D. J.
Briggs Manufacturing	None	—42%	—160%
Copper Range	None	210	182
Kansas Gas & Elec.	None	—27	— 80
Reliable Stores	None	—27	—214
Black & Decker	None	150	—400
Marquette Cement	None	—20	— 75
Woodward Iron	None	43	—233
American Investment		---*	—133
Hercules Powder		---*	—360

*Post-split announcement period insufficient for significant dividend action.

Conclusion

The fact that most of the split stocks whose market price increased more than the Dow Jones Average also increased their dividend rate, raises the question whether the favorable price performance was a result of the split or, instead, of the higher dividend. The above table certainly shows a disappointing performance by the split stocks where a dividend increase did not accompany the split.

Hence, we are impressed with the fact, as was demonstrated in our preceding article, that stock price fluctuation is affected by other factors along with the stock-split—whose influence, we see, subsides with the lapse of time.

Continued from page 85

Mutual Funds

insurance companies, steps to increase premium rates are in process.

"It is clear that 1956 registered new highs for the life insurance industry. These increases coupled with favorable mortality experience and higher interest rates at which insurance companies may invest their continually increasing receipts of funds indicate that 1956 was an outstanding year for the life insurance industry.

"The banks have again increased their book values in 1956 and most of them increased their operating earnings over 1955. The outlook for bank earnings appears favorable; the demand for loans continues strong and interest rates are firm."

The report notes that at the end of 1956, the Trust had shareholders in every state and several foreign countries; including over 900 fiduciary and institutional investors owning shares worth over $14,500,000, or nearly one-third of the total.

Axe-Houghton's three mutual funds rose $12,245,998 or more than 11% in 1956 in total assets according to figures released by the management.

The combined assets of the funds — Axe-Houghton Fund A, Axe-Houghton Fund B and Axe-Houghton Stock Fund — were $120,784,753 at the end of the year as against $108,538,755 on Dec. 31, 1955, and $90,600,187 on Dec. 31, 1954.

A fourth E. W. Axe & Co.-managed fund, Axe Science & Electronics Corp., became an open-end mutual fund late last July. Its net asset value on Dec. 31, 1956, was $11,146,131, lifting the total for all four funds to $131,930,884. Axe Science shares had a net asset value of $9.95 last Dec. 31 compared with $9.54 a year earlier.

Sovereign Investors, as of Dec. 31, 1956 reports total net assets of $1,872,935.82, an increase of 18% since a year earlier when net assets amounted to $1,587,893.91. During the same period total shares outstanding increased 17% while the net asset value per share rose from $12.54 to $12.63.

During 1956 income dividends paid to stockholders amounted to 51c per share. This was an increase of 11% over 1955 when dividends totaled 46c per share. In addition capital gain distributions of 24c per share were made in 1956 equalling those made the year previous. Under the present management since 1950 the value of Sovereign shares has increased 112% from $5.96 to $12.63 per share.

Common Stock Fund of Group Securities, Inc., leading mutual fund, reports net assets of $23,538,051 at Dec. 31, 1956, representing an increase of $4,593,106, or 24.3% over the same date last year, according to Herbert R. Anderson, Group Securities President.

During the year, shares outstanding rose from 1,570,599 to 2,038,784 and net asset value per share increased from $12.06 to $12.25, after adjusting for 70 cents per share distributed from securities profits.

Investment income was up 17.5% over the previous year, also including adjustment for the securities profits distribution, as compared with U. S. Department of Commerce figures of an 8% dividend increase during the year for "corporations issuing public reports."

Sales Reports

Wellington Fund finished the year 1956 with the largest sales volume of any year in the fund's 28-year history, A. J. Wilkins, Vice-President, reported.

Mr. Wilkins stated that sales of Wellington Fund for the year 1956 reached a record $101,097,000. This was an increase of $28,644,000, or 39% over sales of $72,453,000 in 1955, the previous record year.

The Wellington Fund executive attributed the record growth of Wellington during the year to the growing acceptance of the mutual fund concept among individual, institutional and fiduciary investors throughout the country. Wellington Fund during 1956 also set new high marks in the number of shareholders on its books and number of shares outstanding in the hands of the public.

United Accumulative Fund, sold principally on a periodic investment plan, continued to record the largest gains. In 1956 the fund had a net asset gain of $45,836,954, compared with a gain of $32,937,515 in 1955. Total assets of $126,490,565 were equal to $11.45 a share, against $81,653,611, or $10.70 a share a year previous.

United Income had net assets Dec. 31 of $156,867,547, equal to $10.22 a share, compared with $140,314,235, or $9.93 a share, a year earlier.

Closed-End News

National Shares Corporation, closed-end investment company managed by Dominick & Dominick, in its annual report shows a net asset value of $23.75 per share as of Dec. 31, 1956 which compares with $21.09 per share at the close of 1955. The company was organized in March, 1929. The original net asset value was $12.50 per share, after adjustment for the two-for-one stock splits in August, 1938 and in February, 1955. All figures are based on 1,080,000 shares now outstanding.

During the year, stockholders received ordinary cash distributions amounting to 61 cents per share and a capital gain cash distribution of $1 per share. Cash distributions per share declared since organization of the company total $12.742 from ordinary income and $10.223 from profit on securities sold. The year end net asset figure of $23.75 per share is the highest ever reported by the company.

Ranald H. Macdonald, President, pointed out that during the year per share net asset value of National Shares Corporation, including the capital gain dividend of $1 paid on Dec. 24, 1956, increased 17.3% as compared with a 2.3% increase in the Dow-Jones Industrial Average.

Common stocks at market value represented 88% of the company's assets at the end of the year. U. S. Government obligations and cash net of liabilities accounted for 10.5% and corporate bonds 1.1%.

The number of stockholders increased from 2,680 at Dec. 31, 1955 to 3,246 at the 1956 year-end.

Fundamental Assets At Peak $372 Million

For the 15th consecutive year, total net assets of Fundamental Investors, Inc., increased substantially. According to Hugh W. Long, President of the fund, a new year-end high of $372,208,873 was reached on Dec. 31, 1956. This is more than $50 million greater than the 1955 figure of $320,148,570.

Asset value per share at the year end was $16.54 compared with $15.63 a year earlier. After adjustment for the 1956 security profits distribution of 62 cents per share, the growth in share value was 9.8% for the year. This contrasts with a gain of 2.3% for the Dow-Jones Industrial Average and 2.6% for the Standard & Poor's 90 Stock Average during the same period.

Shareholders of Fundamental Investors, Inc. totaled 81,607 on Dec. 31, 1956 — a gain of 12,323 since the end of 1955. For this same period, shares outstanding rose from 20,486,626 to 22,505,039.

Common stocks newly added to the holdings of the fund during 1956 were American Broadcasting Company - Paramount Theaters, Inc.; Boeing Airplane Company; Chesapeake and Ohio Railway Company; Connecticut General Life Insurance Company; Dresser Industries, Inc.; Kansas City Southern Railway Company; Newmont Mining Company; Rayonier, Inc.; Trane Company and United Aircraft Corporation.

Shares of common stock eliminated from the fund were Admiral Corporation; American Radiator and Standard Sanitary Corporation; Bendix Aviation Corporation; Canada Dry Ginger Ale, Inc.; Grumman Aircraft Engineering Corporation; Niagara Mohawk Power Corporation; Olin-Mathieson Chemical Corporation; Sears, Roebuck and Company; Southern Pacific Company; Texas Pacific Coal and Oil Company; Union Pacific Railroad Company and United Merchants and Manufacturers, Inc.

United Funds, Inc. reported that the four funds in its investment group increased its sales 31% in 1956 and net assets rose 28%, as compared with 1955.

In a preliminary report covering 1956 operations, Cameron K. Reed, President, stated that the number of shareholders in the four funds increased by nearly 30,000, reaching a peak of 120,000 at the close of the year.

Sales of shares outright for cash amounted to $77,872,973, compared with $59,584,586 in 1955. Total assets amounted to $348,520,949, compared with $273,066,148.

The four funds in the group are United Income Fund, United Accumulative Fund, United Continental Fund and United Science Fund.

United Continental Fund had net assets of $26,862,182, equal to $8.51 a share, compared with $20,607,858, or $7.77 a share, a year before.

The total number of shares outstanding Dec. 31 was 33,044,722, against 27,350,532. Of the 5,694,190-share gain in the year, the United Accumulative Fund accounted for 3,419,628 shares of the increase.

The four funds repurchased 1,545,964 shares for a total of $16,038,195 in 1956, compared with 1,250,247 shares for $14,528,814 in 1955.

Net income of the four funds, after expenses, amounted to $10,425,715, up from $8,486,252 in 1955. The funds took profits on securities in the amount of $11,596,590, against $6,953,940.

The total unrealized appreciation in securities Dec. 31 was

$112,731,461, an increase of $13,-442,422 for the year; in 1955 the increase in the unrealized appreciation was $30,417,845.

In a report to shareholders, Mr. Reed said that "with inflationary forces still dominant, the preponderance of the assets of the four funds will undoubtedly be retained in the more attractive equities. Sound common stocks, while not always directly following changes in the value of the dollar, generally provide a hedge against depreciating purchasing power over the long term."

"The combination of increasing wage rates and very tight money makes your management conscious of the importance of extremely selective investment in corporate equities during the year ahead," he added. Short-term interest rates are presently attractive and in some of the funds a moderate amount of short-term bonds have been purchased, which is a departure from the policy of recent years."

United Science Fund had net assets of $38,300,655, or $11 a share, against $30,490,444, or $10.40 a share, at the close of 1955.

Personal Progress

The board of directors of The Pennroad Corporation yesterday elected Edward A. Merkle, President, and Bradley Gaylord, Chairman of the corporation. George W. Bovenizer resigned as chairman and was elected honorary board chairman.

Mr. Merkle, who joined Pennroad on Jan. 1, 1949, was elected a vice-president early in 1951 and became a director in 1953. He is also a director of Rockland Light & Power Company, National Department Stores Corp. and South American Gold & Platinum Company.

Mr. Gaylord became associated with Pennroad in 1945, was elected a vice-president that year, a director in 1948 and president in 1953. He is also a director of The Canton Company of Baltimore, General Public Utilities Corp. and the Atlantic Coast Line Railroad.

A partner of the investment banking firm of Kuhn, Loeb & Co., Mr. Bovenizer has been a member of Pennroad's board of directors since 1932, only three years after the company's incorporation in 1929. He has been board chairman since 1948. The Pennroad Corporation is a regulated investment company with total net assets in excess of $100,-000,000.

With Irving J. Rice

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—William J. O'Donoghue has become associated with Irving J. Rice & Company, Inc., Pioneer Building.

DIVIDEND NOTICES

ALUMINIUM LIMITED

DIVIDEND NOTICE

On January 16, 1957 a quarterly dividend of Sixty Cents per share in U.S. currency was declared on the no par value shares of this Company (present capitalization), payable March 5, 1957 to shareholders of record at the close of business February 1, 1957.

Montreal — JAMES A. DULLEA
January 16, 1957 — Secretary

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Manufacturers of Ceramic Wall & Floor Tile

COMMON STOCK DIVIDEND

Declared January 16, 1957
15 cents per share
Payable February 28, 1957
Record Date February 14, 1957

America's OLDEST Name in Tile

Atlas Corporation

33 Pine Street, New York 5, N. Y.

Dividends declared on 5% Cum. Preferred Stock and Common Stock

- Preferred Dividend No. 3
  Regular quarterly of 25¢ per share
  Payable March 15, 1957
  Record date February 28, 1957
- Common Dividend No. 61
  Regular quarterly of 15¢ per share
  Payable March 20, 1957
  Record date February 28, 1957

WALTER A. PETERSON, *Treasurer*

January 18, 1957

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 61) and a dividend of $5.00 to be payable on the capital stock, and $15.00 to be the amount payable on Class "B" Debentures (Payment No. 38), out of net earnings for the year 1956, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 6, 1957. The dividend on the stock will be paid to stockholders of record at the close of business January 18, 1957.

W. W. COX, Secretary

New York, N. Y. January 9, 1957

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on January 21, 1957, declared a regular quarterly dividend of forty cents (40c) per share on the Corporation's Common Stock. This dividend is payable February 28, 1957, to stockholders of record January 31, 1957.

LEROY J. SCHEUERMAN, *Secretary*

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

THE DAYTON POWER AND LIGHT COMPANY

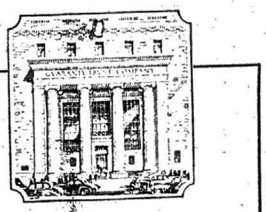
DAYTON, OHIO

138th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on March 1, 1957 to stockholders of record at the close of business on February 8, 1957.

GEORGE SELLERS, Secretary

January 15, 1957



Guaranty Trust Company of New York

New York, January 16, 1957

The Board of Directors has this day declared a 20% stock dividend on the Capital Stock of this Company payable in shares of such stock at the rate of one share for each five shares of stock outstanding. The stock dividend will be payable on February 21, 1957, to stockholders of record at the close of business January 23, 1957.

STUART K. BARNES, *Secretary*

DIVIDEND NOTICES

DIVIDEND NO. 69

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar and twenty-five cents ($1.25) (Canadian) per share has been declared on the Capital Stock of this Company, payable March 11, 1957, to shareholders of record at the close of business on February 8, 1957.

J. F. McCARTHY, *Treasurer.*

O'okiep Copper Company Limited

Dividend No. 41

The Board of Directors today declared a dividend of twenty shillings per share on the Ordinary Shares of the Company payable March 5, 1957.

The Directors authorized the distribution of the said dividend on March 15, 1957 to the holders of record at the close of business on March 8, 1957 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $2.79 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 5, 1957. Union of South Africa non-resident shareholders tax at the rate of 6.9% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, New York, January 16, 1957.

Sinclair Oil Corporation

600 FIFTH AVENUE
NEW YORK 20, N. Y.

COMMON STOCK DIVIDEND No. 105

On January 22, 1957 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable March 15, 1957 to stockholders of record at the close of business on February 15, 1957.

SINCLAIR
A Great Name in Oil

Mobil

SOCONY MOBIL OIL COMPANY INC.

Dividend No. 184

The Board of Directors on January 15, 1957, declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable March 9, 1957, to stockholders of record at the close of business January 30, 1957.

A. M. SHERWOOD, *Secretary*

THE SOUTHERN COMPANY

(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 27½ cents per share on the outstanding shares of common stock of the Company, payable on March 6, 1957 to holders of record at the close of business on February 4, 1957.

L. H. JAEGER, *Treasurer and Secretary*

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN SERVICES, INC.

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., January 18, 1957

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable March 15, 1957, to stockholders of record on February 28, 1957.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

SOUTHERN NATURAL GAS COMPANY

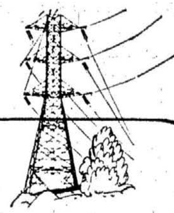
Birmingham, Alabama

Common Stock Dividend No. 72

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 13, 1957 to stockholders of record at the close of business on February 28, 1957.

H. D. McHENRY,
Vice President and Secretary.

Dated: January 19, 1957.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK, 4.08% SERIES
Dividend No. 28
25½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.24% SERIES
Dividend No. 5
26½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.88% SERIES
Dividend No. 37
30½ cents per share.

The above dividends are payable February 28, 1957, to stockholders of record February 5. *Checks will be mailed from the Company's office in Los Angeles, February 28.*

P. C. HALE, *Treasurer*

January 18, 1957

Edison

DIVIDEND NOTICES

Southern Railway Company

DIVIDEND NOTICE

New York, January 22, 1957.

Dividends aggregating 3¾% on 3,000,000 shares of Preferred Stock of Southern Railway Company of the par value of $20 per share have today been declared out of 1956 earnings, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
1¼% (25¢)	Mar. 15, 1957	Feb. 15, 1957
1¼% (25¢)	June 14, 1957	May. 15, 1957
1¼% (25¢)	Sept. 13, 1957	Aug. 15, 1957

A dividend of seventy cents (70¢) per share on 6,491,000 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1956, payable on March 15, 1957, to stockholders of record at the close of business on February 15, 1957.

J. J. MAHER, *Secretary*

69th REGULAR DIVIDEND

The directors, on January 18, declared a regular quarterly dividend (No. 69) of thirty (30) cents per share on the Common Stock, payable on March 20 to shareholders of record February 7. The quarterly dividend (No. 7) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 7) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on March 1 to shareholders of record February 7.

W. D. FORSTER, Secretary
January 18, 1957

SUNRAY MID-CONTINENT
Oil Company
SUNRAY BLDG. TULSA, OKLAHOMA

The United Gas Improvement Company

DIVIDEND NOTICE

A quarterly dividend of 50c per share on the Common Stock, par value $13.50 per share, has been declared payable March 29, 1957 to stockholders of record February 28, 1957.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 1, 1957 to stockholders of record February 28, 1957.

— JOHNS HOPKINS, Treasurer

Philadelphia, January 22, 1957.

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock, has been declared payable March 1, 1957, to stockholders of record February 15, 1957.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable February 28, 1957, to stockholders of record February 15, 1957.

M. E. GRIFFIN,
Secretary-Treasurer

Washington . . . And You

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

WASHINGTON, D. C. — Possibly the most forceful disclosure in the President's budget estimates for fiscal 1958 is that there appears to be no lingering desire to control the steadily upward rise in Federal spending.

A second fact which is constructively deducible is that it will be little short of a phenomenon if Federal spending in fiscal 1958 does not surpass $75 billion.

Mr. Eisenhower "estimates" that budget expenditures for the year beginning next July 1 will aggregate $71.8 billion. This total is exclusive of highway expenditures of more than $1.8 billions. The fact that the government, for devious reasons, prefers to call these "trust fund" expenditures does not in the slightest alter their actual fiscal character.

So for purposes of accurate comparison these must be added to the total. This makes total expenditures $73.6 billion. In fiscal 1953, the so-called "last Truman year," the Administration of Mr. Eisenhower disclaiming responsibility for its tenure during five months plus of that year, expenditures aggregated $74.3 billions.

This was also Mr. Truman's most expensive year. However, there was a war going on in Korea, a war whose dollar (if depreciated dollar) spending rivaled in magnitude the cost of War I. So the actual estimated Eisenhower expenditures of $73.6 billions for fiscal 1958, including for accurate comparison the highway funds, falls only $700 millions below Mr. Truman's most expensive year, including a war year.

Accuracy of Estimate

Quotation marks were herein initially put around Mr. Eisenhower's "estimates." They are in fact only guesses. In practice under Mr. Eisenhower they have been extraordinarily poor guesses.

Thus between January 1955, when Mr. Eisenhower first "estimated" spending for fiscal 1956, and the final figures for the year were in, actual spending had exceeded the first "estimate" or guess by $4.1 billion. If an Administration were as dedicated to economy as the Eisenhower Administration at that time two years ago professed (publicly) to be, it is strange that its guess was so far short of performance, for spending IS under the control of the Administration.

If Mr. Eisenhower two years later in making his first estimate for fiscal 1958 is only 20% as inaccurate as he was two years previously, total spending would run $800 million higher, or an aggregate of $74.4 billion or $100 million more than they were under Mr. Truman's peak including a year when there was a pretty hot and expensive war on.

One year ago Mr. Eisenhower estimated Federal spending for the present or 1957 fiscal year at $65.9 billion. One year later, with six months of the year still to go, Mr. Eisenhower now revises, again as always upward, prospective spending for the current year at $68.9 billion. Without by any means calling attention to it in the text of his message, Mr. Eisenhower in fact confesses a 12-month error, even with only half the year out of the way, of $3 billion.

So if Mr. Eisenhower is 30% as much in error as he was only a year ago, it would add $900 million to the substantive estimate of $73.6 billion (including highway funds to make it strictly comparable with fiscal 1953) and come out with $74.5 billion, or $200 million higher than Mr. Truman's highest, complete with Korean war.

Inaccuracies Apparent

On the other hand, if Mr. Eisenhower is just as inaccurate as he was two years ago, or $4 billions short of what performance will be, spending in fiscal 1958 would run $77.6 billion, or $3.3 billion above Mr. Truman's most expensive year. Or if he is only off the $3 billion he now admits for the current year from one January to the next, spending will total $76.6 billion, or $2.3 billion more than the comparable year under Mr. Truman, from which there was need for such a change in electing Mr. Eisenhower.

There is ample prima facie ground for anticipating such a substantial underestimate in Mr. Eisenhower's guesses for fiscal 1958 as to support as conservative a guess of a $75 billion spending record for the new year, even without a new actual war or emergency. For instance:

(1) Mr. Eisenhower insists Defense Department military functions will cost only $36 billion for the current year and $38 billion for '58, when informed persons say the level of such spending already is exceeding the current estimates.

(2) Mr. Eisenhower reduces for fiscal 1957 the estimated cost of price supports by $1,665 million under actual fiscal '56, and estimates them lower than '56 actual by $1,604 million in '58.

It has been the custom of the Eisenhower Administration to err in advance estimates on price support costs by from $1 to $3 billion. It has deceived itself egregiously even to the point of misinforming the Congressional committeemen when it was requesting legislation.

First the Administration kidded itself (?) that the "flexible" price supports in fact meant economy in farm price support costs in an era of declining farm prices. Now it is pretending (?) that the "soil bank" is not in fact one just new and additional costly subsidy and that it will lower the burden of price supports.

Farm Costs

There are four symptomatic signs in the budget of the absence of desire to control the upward rise in spending.

(1) The first of these is farm costs. It is noted that Mr. Truman had the Korean war to bull up farm prices, making it partially unnecessary to support them. Nevertheless, the dollar extent of the change which has come with Mr. Eisenhower in costs may be compared.

In fiscal 1958 Mr. Eisenhower estimates farm aids will cost just slightly under $5 billion (as before mentioned, assuming a cut from the last actual expenditures of $1.6 billion for price support). In fiscal 1954, an Eisenhower year, these were half, or about $2.5 billion. In fiscal 1951, they were $650 million. Higher farm prices may obviate supports, by some miracle or a war, and reduce the '58 spending below $5 billion. Or, if price supports become as expensive as the law allows and were in 1956, the cost of farm vote buying may become, on the contrary, 10 times as expensive under Mr. Eisenhower as under Mr. Truman.

"Reductions" Analyzed

(2) Eight of the 10 major functions of government will cost more in fiscal 1958 than in 1957, according to Mr. Eisenhower's estimates (see p. M25) of the Budget).

Two were estimated lower.

One of these reductions was in the broad category of "commerce and housing." This shows a reduction because of an anticipated rise in postal rates which has been denied by Congress year after year.

A second cut is in "general government." This cut comes entirely from the fact that in fiscal 1958 each of the numerous several agencies of government will contribute separately their pro rata shares of the $600 million due the Civil Service Commission for the Civil Service retirement fund, instead of being made in a lump sum appropriation to the Commission, as in the past.

Housing

(3) With respect to housing, Mr. Eisenhower has surrendered largely to the easy money boys. He proposes to downgrade FHA terms to veterans loans, whilst raising interest rates on the latter. He projects in the budget a net support by Treasury funds of $705 million for use in supplying money for government-guaranteed and insured loans in the current fiscal year.

(4) Among the "national objectives" of the budget, Mr. Eisenhower rated "fiscal integrity" only sixth in rank. It outranked in his mind the objectives only of his having "a well-balanced choice of programs at home and abroad," and increasing international trade and investment.

Preceding "fiscal integrity" in importance are various welfare and philosophic concepts, the development of natural resources, enhancement of opportunity for the people, conservation, etc.

The Humphrey Act

It is probably the genius of American society that when, as, and if there comes into power an admitted socialist government, that government's Secretary of the Treasury will make noises like a conservative. So it is no surprise that Secretary Humphrey talks a lot about the need for economy.

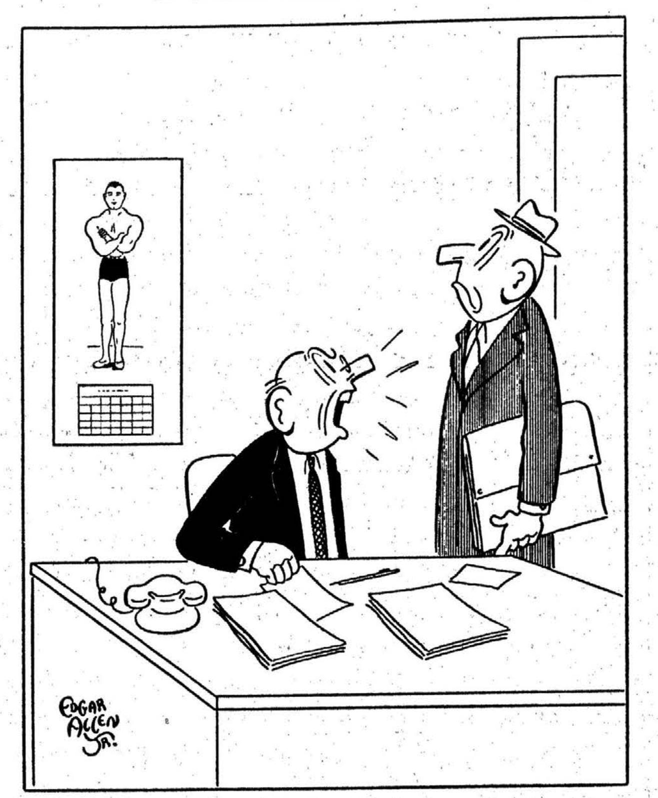
Actually, Humphrey has the reputation for going along within the councils of the Administration with spending, on the theory it is either the Republican gang or the other crowd. His influence, if any, toward economy is far less than former Treasury Secretary Snyder's with the Truman Administration; otherwise the latter would not have got down at one time from war spending to $35 billion; and at the end would have been spending as much on peace-time government as does Mr. Eisenhower.

A Secretary of the Treasury owes his position entirely to the grace of the President, whose hired lieutenant he is. If Mr. Humphrey is as personally convinced as he indicated at his budget press conference about the need for economy, seasoned observers on Capitol Hill expect him to confirm this promptly by resigning, for he obviously has no decisive influence in this sphere.

As the President's lieutenant, Mr. Humphrey cannot collaborate with the "economic bloc" in bringing a reduction in expenditures, as some of the more fatuous newspaper stories have suggested. Besides, there is no "economy bloc." There are only a few stout hearts like Rep. John Taber and Senators Harry Byrd of Virginia and Styles Bridges of New Hampshire.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"— ★ — ! — **I KNOW what kind of a calendar I had last year—my WIFE picked this one!**"

Business Man's Bookshelf

Above & Beyond the Specifications—Reviews Schumann C. P. Process for brass and bronze ingots—I. Schumann & Co., 4391 Bradley Road, Cleveland, Ohio (paper)—on request.

Capital Gains Opportunities for the Average Taxpayer—Report included with subscription to "Research Institute Recommendations" for one year at $24. Research Institute Recommendations, 589 Fifth Avenue, New York 17, N. Y.

East Africa—Year Book & Guide—Edited by A. Gordon Brown—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y. (cloth) $3.

Economic Growth Projector to 1970—"Straight-line" trend to show growth expectancy for next 15 years — Eddy Rucker Nichols Company, Harvard Sq., Cambridge, Mass. (plastic) $1.

Economic Indicators January 1957—Prepared for Joint Economic Committee by the Council of Economic Advisers — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—20c.

Exhibits of Overseas Products in New York—Commerce & Industry Association of New York Inc., 99 Church Street, New York 7, N. Y. (paper)—On request.