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EDITORIAL

As We See It

Having a few days earlier submitted a record breaking peacetime budget, the President last week handed Congress his annual economic report in which he says that government "must exercise a strict discipline over its expenditures and avoid taking in taxes too much of the incomes of individuals and businesses." This excellent precept pronounced but not observed is, however, but one of several which the Chief Executive takes occasion to express. Many of these are admirable and it is unfortunate that the physician is so loath to heal himself. Others, we find, smack rather too much of the paternalism of the New Deal and similar philosophies so prevalent in this day and time. All in all, what the President has to say upon this occasion is well worth considering and even more worth comparing with the policies and programs of his Administration.

A short quotation may set the stage:

"Government must use all practicable means to promote high levels of production and employment, and to contribute toward achieving an expanding and widely-shared national income, earned in dollars of stable buying power. It must pursue policies that encourage the enterprising spirit of our people and protect incentives to work, to save and to invest. It must exercise a strict discipline over its expenditures and avoid taking in taxes too much of the incomes of individuals and businesses. It must strive to strengthen competitive markets and to facilitate

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Canadian Construction and Capital Formation Outlook

By RIGHT HONORABLE LOUIS S. ST-LAURENT*
Prime Minister of Canada

Canadian Prime Minister, in reporting 1957 capital expenditures will be 12½% above 1956, states present savings-shortage available for housing will reverse itself over the longer term toward past five years average experience, and the next six months to a year will be active for general construction and other capital outlays. Noting that the interest rate rise occurred despite high level of savings and capital in-flow from abroad, the Prime Minister expects the recent increase from 5½ to 6% in government insured mortgages will overcome the lag between insured mortgages and other rates.

This is surely the golden age of construction in Canada. A visitor to the City of Toronto, or Vancouver, or Halifax, or to one of the great projects on our frontiers, or indeed to almost any part of this country, cannot but be impressed with what your industry is doing, and has done. Your Association now represents the largest single industrial group in our country. One might say that a new immigrant landing in Canada—say one of our Hungarians coming in by plane—would see three things—the land that nature gave us, the people that we are and the products of the construction industry. They are everywhere in evidence.


Hon. L. St. Laurent

Throughout our history there has been a close tie between the work of your industry and that of the Federal Government. In earlier years, the great task was to tame the immense

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*An address by Prime Minister St-Laurent before the Canadian Construction Association, Toronto, Jan. 21, 1957.

Canada's Business and Financial Leaders Speak After Turn of the Year

In articles especially written for the "Chronicle," individuals eminently qualified to accurately interpret the course of Canada's economy in the instant year present their views. The commentaries discuss the probable trend of key factors, including course of the money market, capital and consumer expenditures, housing, new developments in the oil, gas and mining industries, and other aspects of the nation's business life. The statements appear herewith:

HON. C. D. HOWE
Minister of Trade and Commerce

There is little evidence of change in the strong general pressure of demand which has prevailed in Canada since 1955. Production and employment have continued to press steadily ahead. Despite higher imports, shortages of some materials persist. Apart from seasonal changes the labor market remains tight. Planned projects are in many cases behind schedule. Interest rates were moving upward throughout 1956 and are now at peak levels. By and large the conditions which have necessitated a close rein on the overall expansion of credit are still present.


C. D. Howe

What is presently known of Canadian investment plans for the coming year suggests a further increase in overall capital spending. Industries likely to have a further rise in capital outlays include the production, distribution and processing of oil and natural gas, nonferrous metal refining, uranium development, primary iron and steel, electric power, transportation and communications and retail trade. In pulp and paper and chemicals, expenditures this year will probably run

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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 58.

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

RICHARD N. ELY
Research Department
Bateman, Eichler & Co.
Los Angeles, Calif.

Delta Air Lines, Inc.

One frequently notices that there is a tendency among analysts to study and report on companies which are located "in their own back yard." This is only natural, and we take no exception to it, but would like to call attention to the fact that is not the case with our affection for Delta Air Lines. We are located in Southern California, and Delta is about as far away from us as it is possible to get.

Richard N. Ely

The reason we have drawn attention to the regional matter is to point up the relative strength of growth in the airline business. Out here in Los Angeles we are very proud of the growth rate of this area, which has been approximately 5% per annum in recent years. Real estate experts marvel at this phenomenon, but somehow investors have become blase over the much greater increase in airline passenger statistics, which expand about three times as fast as the population of the Los Angeles area. While booming conditions in Southern California real estate have produced large profits for investors in property, there has been no recent analogous increase in the value of airline equities relative to year-to-year improvements in volume and profit. We think this situation is about to correct itself. Airline stocks have been undergoing corrective price movements, in most cases, for about two years, and appear now to be in a position where their intrinsic values and magnificent future prospects can become more powerful market factors.

Highly significant technological changes increasingly tend to improve the safety, economy, and regularity of airline operations. Much bigger and far faster aircraft are of tremendous importance. For example, it has been estimated that the forthcoming jet-liners will be at least 12 times as efficient as was the DC-3. They will contribute to materially increased earnings for the airlines. Other innovations of great value such as radar, electronic calculators, improved baggage handling techniques, and many additional improvements of less spectacular character also bring material benefit to operating results. Technological innovations will greatly add to the investment stature of the industry in the years to come. The most notable trend in this consideration at present is the amazing improvement in the safety record of airlines in recent years.

We have given consideration to the current value of each of the major airline stocks, and concluded that as a group they are unusually attractive. Among the securities of the industry, DELTA AIR LINE'S common stock appears to offer exceptional value. It is "The Security I Like Best," for many reasons.

Delta has become a major airline in the past three years. With gross revenues at an $80 million annual rate, this airline is now the fifth largest in the domestic industry. The acquisition of Chicago and Southern Airlines in 1953, and the new routes granted in 1956, which provide direct entry into New York from the Southwest, give Delta two axes of trunkline stature.

One of Delta's two major trunklines is the route from Chicago and other large Middle-western cities to the Florida Gold Coast; the other connects the booming industrial areas of the South central region with New York. A number of additional important routes and interconnecting lines have made Delta a major part of the U. S. airline system.

The measure of an airline is the type of equipment it flies, and the personnel who operate this equipment. In both, Delta is pre-eminent. This airline is not only exceptionally well-equipped now and adding a considerable number of new aircraft presently and in the immediate future, but also has placed orders for its estimated requirement for jet airliners on an advantageous basis. Delta has long followed admirable and constructive personnel policies, which have resulted in a splendid *esprit de corps* throughout the organization, which is headed by C. E. Woolman and other executives who are truly outstanding in the industry. The record of this able management justifies confidence on the part of investors. As for passengers who frequently fly with Delta, they are a singularly well-impressed group.

Delta's financial condition is first-rate, and it has established the credit it will need to finance major additions of equipment on a basis so advantageous that it could not possibly be duplicated in today's money market.

Any discussion of Delta which does not go into the "Snow Bird" phenomenon—the annual migration of chilled northerners to the Sunny South—is no less incomplete than one which fails to include comment on the growth of summer tourist traffic to the same area. Even the promoters of the inexpensive summer vacation on the Gold Coast idea have been astonished by its success. In addition, the rapid industrialization of the South, which is Delta's home route area, has provided a substantial increase in commercial ticket sales.

Delta has repeatedly demonstrated ability to earn a good return on its stockholders' investment. Estimates of $3 per share for the current fiscal year are frequently heard, and this amount should be greatly exceeded in years to come, all things being equal. With a $1.20 dividend currently being paid, the stock offers remarkably good yield for such an aggressive investment. Book value of the common is conservatively calculated, and yet has advanced so rapidly in recent years that it is at present very near the current market price of the stock. Investors need not pay an unwarranted premium to participate in Delta's fine prospects.

The air freight and airmail earnings potential of the airlines generally is misunderstood. In the past airlines received a subsidy because inefficient aircraft and irregular loads made carrying the mail unprofitable. Today it has become possible for the government to remove subsidies from all major domestic airlines, and, in years to come these companies should earn good money on both airmail and air freight. Recent investigation by the CAB of the cost of carrying mail and freight on the new jet airliners has been said to support this contention.

In conclusion, we think that stocks of the airline industry offer outstanding investment opportunities at the present time, and among them Delta Air Lines is our choice. Maximum return from investment, in this era of tax penalty on profit-taking, accrues to the wise and patient investor who puts money into situations which can be expected to show very substantial increases in earnings and common stock dividends over the long pull. By staying with a stock like Delta for many years the returns compound themselves in a highly gratifying manner. To get the most out of a commitment in the airlines, one "buys it and puts it away."

CHARLES L. HOLTON
President, Holton, Hull & Co.
Los Angeles 14, Calif.

Central Valley National Bank

My selection for the "Security I Like Best" Column is fast-growing and aggressive Central Valley National Bank, operating 16 branches located in Northern and Central California. The Board of Directors of the Bank comprises a cross section of successful business and professional men, ranchers, dairymen and farmers. Headed by hard-charging Chairman of the Board and President Charles P. Partridge, former executive with the Bank of America for many years, the Bank in comparatively recent months has been annexing additional locations, either through consolidations or new leasings. Management has very definite plans for further expansion into new areas, including industrial energetic Southern California. Concentration on short-term consumer, crop, personal and industrial loans appears to be proper at this time.

Charles L. Holton

In a comparison with other Coast banks, Central Valley National Bank is outstanding, using the customary yardstick of percentages. Book value as of Dec. 31, 1956 stood at $20.46 per share, including reserves, versus a market price of approximately $23. Dividends are paid at the current rate of 90 cents per share, with a good possibility of an increase to $1 before the end of 1957. Earnings in 1956 were $2.14 versus $1.34 in 1955 on an adjusted basis. Total resources as of Dec. 31, 1956 were $64 million versus $38 million a year earlier.

An increase of approximately 60% in both net earnings and resources in the last year, while probably amazing to an Eastern investor, is more or less expected by those living on the Coast, who are personally able to survey the

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Canada and Electronics

By FRANK M. FOLSOM*
President, Radio Corporation of America

The eyes, ears and hands which span nearly four million square miles of territory, linking people and industries, making possible automation, becoming one of the keys to "unlock the door to Canada's future greatness," and having achieved an annual production rate of approximately half a billion dollars, is the way RCA head describes in part Canada's electronics industry. Reporting on U. S. electronic program, Mr. Folsom believes consumer electronics output in 1957 may well approach the 1955 record, and that the electronics business volume may be $1 billion higher in 1957 than 1956. Perceives acceleration on all fronts of television for civilian, industrial and educational use, and color spurring the advance with more manufacturers entering the color TV field.

Toronto has long been at the forefront of radio and television. Even prior to World War I the wireless station atop Eaton's store and on the Eaton yacht put Toronto on the wireless map in pioneering. And the wireless amateurs of Toronto, the Russell brothers, Ted Rodgers and many others who contributed to the advance of the art were among the first to flash signals across the border and over Lake Ontario to establish lasting friendships with wireless amateurs in the United States.

Frank M. Folsom

Just as the wireless amateurs of our two countries became good neighbors so have our industrialists and merchants. We are proud and happy to be your neighbors and we admire your progress in social, cultural and economic activities.

Canada's Faster Growth

It is little short of amazing that a country, the population of which totals under 16 million, now ranks sixth among the industrial nations and holds third place in international trade. It took us more than half a century to accomplish the change-over from an agricultural to an industrial base and to reach our present position. Canada has done it in approximately one-third the time.

The Gross National Product of the United States last year ran 5% higher than the preceding record year of 1955 and shows every sign of continuing the pace well into the future. Within the same period, however, Canada's Gross National Product rose by 10%, double the rate in the States. If our progress is excellent, let me say that yours seems nothing short of phenomenal.

There are, of course, comparisons between our two countries and there are differences. Ahead of you lies virtually half a continent—much of it still to be fully explored and exploited. In this sense you are at the point where we were 50 years ago. We have reached most of our physical frontiers and tapped many of our resources. Your frontiers are before you—to the East, West and North—and the full extent of your resources is only beginning to be appreciated.

There is another difference. The scientific and technological developments which have taken place over the past 50 years have made it possible for you to telescope decades of struggle into years of accomplishment. The airplane has enabled you to leapfrog muskeg and tundra, mountain range and ice field—to plant and transplant men and machines at will. You are blessed with an abundance of water power which has given you about the highest installed hydro-electric capacity in the world. Your success in science has made possible the vast exploitation of your primary resources and has given you one of the world's fastest rates of industrialization. Electronics—the miracle of communication and control—has given you ears, eyes and now hands with which to span nearly four million square miles of territory and link your peoples and industries.

Similarities and comparisons between our two countries are the most natural commodities in a discussion like this. I suppose there hasn't been a talk delivered in the past 50 years by an American—or a Canadian—which hasn't dwelt upon our common heritage, our unfortified border, our language and outlook.

Problems Peculiar to Canada

Geography and climate have given you different problems and different approaches to their solutions. You have to contend with great spaces, a scattered population in your North and West, extremes in winter temperatures. Far from being deterrents, however, these problems have served as stimulants to projects of vast boldness and imagination. They have led to the development of two of the most extensive rail transportation systems in operation. Now you are pushing to completion the world's longest microwave system — 139 relay towers and transmitters to speed

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*An address by Mr. Folsom before the Canadian Club of Toronto, Jan. 28, 1957.

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Articles and News

CANADA'S BUSINESS AND FINANCIAL LEADERS SPEAK AFTER TURN OF THE YEAR

Starting on the cover page, we present the views of leading Canadian Government, Financial and Businessmen as to the probable course of Canada's economy during 1957. These articles, of course, were expressly written for the "Chronicle" and provide the reader with official, up-to-the-minute information regarding economic trends.

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Recessions Are Not Corrected by Inflationary Money Policies

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

Speaking extemporaneously on the best monetary policy to sustain high employment, Mr. Martin asseverates inflation inevitably leads to unemployment; the Employment Act ignores money as a standard of value; and that the Federal Reserve, operating under a statutory trust indenture, was established to "safeguard . . . against the inevitable desire to depreciate the currency when the going gets tough." The Reserve Board head believes: (1) we have had more loose than tight money in the past couple of years; (2) it is naive to blame the Fed for 1953-54 recession; (3) Fed should lean against the wind but not take over the market; and (4) dependence upon the government to correct our excesses without any loss is more harmful than reliance upon the market process. Rejects views of those who fear or belittle the effectiveness of interest rates and laws of supply and demand; and stresses our economic heritage, the integrity of the dollar, and their relationship to our political rights.

I think all of us understand what is meant by the simple textbook definition that "Money is a medium of exchange and a standard of value with the basic component of confidence." Having gotten that far that is usually where our education in money stops. Now, the most interesting thing to me is the relationship of money and credit to all the periods of political economy and political science in the world at large. I remember attending a meeting of the Joint Chiefs of Staff in late 1945 where Lord Keynes discussed brilliantly the problems of the post-war world when all of these soldiers put their uniforms aside, and the unemployment that was going to be endless around the country, and how were we going to meet it.

W. McC. Martin, Jr.

Well, that was the background of the Employment Act of 1946, the most important institutional change in American thinking and the American approach to the problem of the basic problem of our political economy since the Federal Reserve Act, and with the Federal Reserve Act constitutes probably a complete departure from the *laissez-faire*, or let nature take its course, or boom-and-bust, philosophy that to one extent or another more or less dominated American thinking from the time of Andrew Jackson until the catastrophic money panic of 1907, which resulted in the founding of the Federal Reserve System.

*An extemporaneous talk by Mr. Martin before the Association of American Soap & Glycerine Producers, New York City, Jan. 24, 1957.

No Standard of Value

Now, in the Employment Act of 1946, which was adopted enthusiastically by both parties, and if you will take the trouble to read the debate and the literature and the comments in connection with that act, you will find that there is from time to time reference to money as a medium of exchange but there is almost a total absence of any comment with respect to money as a standard of value.

The problem of the last 10 years in the entire Western World has not been creating jobs, it has not been preventing another 1929 by creating jobs. The problem has been resisting inflation and sustaining jobs and seeing to it that the prosperity that we have, or have had, as a result of pent-up demand, and the technology that was released by the war, and the general desire for a higher standard of living throughout the world, would be met in a stable way and with a reasonable price level where the excesses would not develop and accumulate in such a way as to produce unemployment.

Employment Act and Inflation

The objectives, the goals, of the Employment Act of 1946 in the past 10 years, in my judgment, can only be attained, and today can only be attained, by an understanding of inflation and resisting it, because if inflation is allowed to pursue its course and the ingredients for growth and the ingredients for development in economy are strong, it must inevitably lead to unemployment because it creates and feeds upon itself in such a way that the end result must be unemployment.

It means that when the inevitable correction comes — and I know there are many people who believe there never will be corrections, or that there will be no penalties ever again in our economy, but I believe those people are dreamers, by and large, and not facing the facts, and when the inevitable corrections come, it means that there will be two people unemployed if you have had a preceding period of inflation whereas there would have been only one person unemployed if you had had more or less stability during the preceding period.

Now, that is a very simple concept and it is one that it is difficult to get across to people, but what we are really dealing with here is essentially the make-up of human nature. I think anyone who tries to dissociate money or money policy or business and business activities from human nature is missing the entire dynamic, missing the entire point.

Must Grasp Basic Principles

All I am trying to emphasize, in emphasizing the necessity of resisting inflation to sustain jobs, to underwrite prosperity and to make possible a higher standard of living, is to emphasize that we get torn apart at times in technicalities. We argue about price inflation and wage inflation and credit inflation and I don't think that is the thing that the layman is particularly interested in. I am not even sure that it is the thing that such a distinguished economist as our good friend Roy L. Reierson of Bankers Trust Company, is interested in. What we are talking about are excesses of all sorts that creep into an economy and that what you are dealing with are basic principles.

Anyone who endeavors to approach the problem of money, credit, banking on a basis other than that there are some guiding principles is bound to be completely defeated by the maze of intricacies that surround him. I know long ago I would have gone crazy if I didn't believe that there were certain basic principles.

Dollar Integrity and Free Market

I want to discuss with you very briefly this matter of the free market. I don't believe that there is enough understanding that economists have failed really to appreciate the role of the free market and relate it to the history of the country. The sweep of American history seems to me to be very clear. You go back to our political heritage and we more or less understand it in the guarantees of the First Amendment—freedom of religion, freedom of speech, freedom of the press, freedom of the right to assembly—but when it comes to the economic heritage, the integrity of the dollar, there is very little understanding or very little thought of the inter-relationship and the interconnection between those political guarantees of the Constitution and those basic and fundamental business rights which are inherent in the way we handle our money and our money supply.

Now, it is extremely difficult sometimes to make people concentrate on the simple things that they all understand and when you talk about the free market today, you have a lot of people who think you are talking nonsense. They believe that you are misguided and don't understand the nature

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Observations . . .

By A. WILFRED MAY

SPLIT STOCKS — BEFORE AND AFTER

The third article in a series on the price performance of split stocks.

Our previous tabulations showed that over the entire period of the year 1956 during which a split took place, its effect was to stimulate the price of the respective issue. Over a longer period of time however, that is, from the announcement date in 1955 to the 1956 year-end, this advantage was shown to have been effaced.

A. Wilfred May

We now compare the behavior of the individual issues in the periods shortly before and after the splitting. In the following table we have taken the 80 N. Y. Stock Exchange companies whose newly split shares were admitted to trading during the first 11 months of 1956, and calculated their price performance during three significant intervals:—from one month before the announcement date to the announcement date; from the announcement date to the admitted-to-trading date; and from the latter to the year-end.

Market's Trend Eliminated

To eliminate the effect of the general market's trend, we have related the price change for each stock to the change in the corresponding Dow Jones Average (i.e., industrial, utility, or rail) over the same time interval.

We see therefrom that the performance was best during the one-month *rumor* period, 72 of the issues advancing more than the market average, and eight issues less. It deteriorated during the succeeding announcement-to-trading admission period, when 36 issues out-performed the market with 44 issues surpassed by the averages. It worsened further during the subsequent third interval from the admission date to the year-end, with only 33 issues then relatively advancing and 47 issues declining. (From our initial study we know that over the period covering the entire year 50 of the 80 split issues out-performed the market averages.)

Similarly showing progressive deterioration, the *average* relative performance of the split-stock shows an advance of 7.8% during the first period; no change in the second; followed by a 0.6% decline over the third interval from the trading-admission date to the year-end.

Thus, the present study furthers the conclusion that the splitting is frequently followed by unfavorable price performance in relation to the general market. It appears, moreover, that the post-split "fading" intensifies as time goes on. In many cases it is apparent that by the end of the year the price was actually lower in relation to the market average than a month before the split announcement.

In other cases where some or all of the initial gains were retained, it seems that the price gain was motivated by factors other than the split, such as increased earnings or dividends, or by an industry boom such as uniformly affected the steel issues. Last week's article showed that most of the companies splitting in 1955 which had better price performance than the Dow Jones Average, increased their dividend rate.

Price Performance—With the Trend of the Over-All Market Eliminated*—Between Four Significant Dates: One Month Before Announcement; Announcement; Admission to Trading; and Year-End. Stocks Split in 1956**

			—PRICE CHANGE* DURING—		
	Date announced	First trading date (1956)	One month prec'd'g announcement	Announcem't date to first trading date	First trading date to year-end
Allegh. Ludlum Steel	10/28/55	Jan. 9	+10%	+ 9%	+83%
Allis-Chalmers	3/ 7/56	May 3	+ 2	— 6	+ 4
American Distilling	2/ 9/56	Mar. 21	+ 0.4	— 6	— 5
American Metal	3/ 6/56	May 4	+ 7	— 1	—16
Am. Potash & Chem.	2/ 3/56	Apr. 26	+10	— 5	+12
Anderson-Prich'd Oil	2/17/56	Apr. 20	+ 7	— 4	+11
Atch., Top. & Santa Fe	1/26/56	July 25	— 2	+ 9	—13
Babcock & Wilcox	1/26/56	Apr. 5	+10	+12	+18
Barker Bros.	7/23/56	Aug. 31	+ 7	+ 4	—16
Boeing Airplane	7/ 5/56	Aug. 6	+ 5	+ 6	+29

*Based on the relative percentage change in the corresponding Dow Jones Average.
**Excludes issues admitted to trading after Nov. 30.
†A decline of 1/10%.

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The Business Outlook and Credit Shift Possibilities

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

In finding conditions not propitious for a shift toward an easy credit policy since business activity could well continue upward in 1957, Bankers Trust Economist and Vice-President furnishes evidence, however, indicating the odds favor leveling off and perhaps a sag in business activity for 1957, assuming no renewed deterioration in the international outlook. Dr. Reierson points out the American economy is still in a tremendous investment boom, inflationary pressures continue, government spending is rising, and the March tax date need not cause major unsettlement in the money market. Paralleling this, the bank economist lists deterrents to further steep increase in capital outlays; expects tapering off of unresidential building and further decline in housing starts; sees inventories vulnerable to any lowering of sales and rapid growth in productive capacity with growing pressures on profit margins. Observes Federal Reserve has eased bank reserves materially in past two months.

The rising trend in general business activity which began in the second half of 1954 has persisted without serious interruption to the present. Some signs of hesitation developed in the early months of 1956, but with the settlement of the steel strike, the upturn was resumed. As a result, 1956 has passed into history as another banner year for the American economy, with the final quarter setting a new peak for total economic activity.

Roy L. Reierson

Changing Business Scene

While the business trend has continued upward, the economic environment has changed considerably in the past two years. Through much of 1955, practically every industry was rapidly expanding its output, but even so, sellers' markets were widespread. By the end of 1955, important industries were operating at capacity and shortages of labor as well as of raw materials began to spread.

*An address by Mr. Reierson before the Association of American Soap & Glycerine Producers, New York City, Jan. 24, 1957.

In 1956, conflicting trends began to emerge. Automobile production and residential building, which had contributed materially to the upturn in 1955, dropped off, and this affected a number of supporting industries. However, sharply rising outlays on business plant and equipment, higher nonresidential construction, and a steady advance in spending by consumers on nondurable goods and services and by state and local governments served to keep the economy moving ahead, although at a slower pace. As a consequence of these diverse factors, industrial production increased, but only by 3% last year, in contrast to a rise of over 11% in 1955.

As 1956 progressed, scarcities and shortages disappeared, except for a few crucial commodities, business became increasingly competitive and profit margins came under growing pressure, particularly with the relentless increase in costs. Higher outlays on construction and equipment, firming prices and expanding business activity led to record demands for credit, and especially for long-term accommodation; savings increased, but less than demands for investment funds, and interest rates rose sharply as a result. Moreover, continuing inflationary pressures necessitated a policy of credit restraint.

The Gross National Product hit a new record of $412 billion in 1956, an increase of about 5½% over 1955, but perhaps one-half of the increase reflected higher prices. In 1955, for comparison, the increase had been close to 8½%, with higher prices accounting for only a small part of the growth.

Thus, 1957 opens with the economy at record levels, and most of the important economic indicators, such as total output, industrial activity, employment, incomes, and retail sales, continue firm. At the same time, however, prices and costs are still rising, business is becoming increasingly competitive, and corporate profits and profit margins are tending downward.

Private Investment Boom

Private investment outlays were a major propulsive force in the American economy throughout the course of the current business boom. Strength in home building helped spark the upturn in 1954, and rapidly rising business expenditures on plant and equipment continued to spur the economy in 1956. Except for residential building, the investment boom is still vigorous, and large backlogs of orders for capital goods and of contracts for construction work provide a guarantee against a precipitous decline. In the absence of renewed deterioration in the international outlook, however, deterrents to further rapid expansion are likely to gain in importance in the course of the year ahead.

Plant and Equipment Expenditures — The trend in business spending on plant and equipment continues upward, and a reversal is not in immediate prospect. The shortage of critical construction materials—which was aggravated by the steel strike—and of skilled labor has resulted in a carryover into this year of outlays originally scheduled for 1956. Costs of construction and of industrial equipment have risen quite sharply, which will add to the dollar totals, and the large backlogs of orders in the machinery and equipment industries assure high activity for some time to come. This prospect of a further increase is supported by the latest surveys of spending intentions, which indicate a rise of 11% in dollar outlays for 1957 as a whole, reflecting about equally larger physical volume and higher costs. However, these surveys imply a slowdown in the rate of growth, since capital spending by business is estimated to have advanced more than 20% in 1956.

While it seems reasonably certain that business spending on plant and equipment will increase further in 1957, the question whether the rise will persist steadily throughout the year is much more debatable, even though such important industries as utilities, steel, paper, chemicals and petroleum are embarked upon plant programs requiring several years to complete. Scattered reports indicate that some projects scheduled to be started in 1957 have been postponed, and although there is no important indication as yet that projects already in progress are being slowed down or suspended, new orders for machinery and equipment and contracts for new industrial building have for some months been running below the comparable months a year ago. The backlog, as already noted, is still large, but unless orders and contracts turn

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The Security I Like Best

terrific growth around us, while others must merely read population increase statistics in periodicals. You have seen the population figures for California, but let's review them: Year 1941, 7,097,400; 1946, 9,559,000; 1951, 10,870,000 and 1956, 13,575,000.

I am not a doctrinaire and am not necessarily married to Coast situations, and will be enthused in Western securities only as long as the general direction of statistics points toward long-term growth of this area. We see no important obstacles in the continuity of these trends. In my opinion, therefore, Central Valley National Bank stock appears to be a proper vehicle to share in the progress of the Coast.

Form T. J. Campbell Co.

HOUSTON, Texas—T. J. Campbell Investment Co., Inc., has been formed with offices at 2711 Main Street to engage in a securities business. Officers are Theodore J. Campbell, President; Cecil W. Hays, Executive Vice-President; Robert G. Trimble, Vice-President; and P. R. Campbell, Secretary-Treasurer.

Joins Tabor Co.

(Special to THE FINANCIAL CHRONICLE)

DECATUR, Ill. — Kenneth W. Branz has joined the staff of Tabor & Co., 139 West Main Street.

The State of Trade and Industry

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

In the period ended on Wednesday of last week over-all industrial output was held at a high level, notwithstanding slight declines in the production of coal, automobiles and food products. Compared with the comparable period a year ago, output registered a slight advance.

In an effort to keep dealer inventories in line with consumer buying, automotive producers reduced output to a level fractionally below that of both the preceding week and a year ago. Although truck output rose 8%, it was 11% below that of the comparable 1956 week. Total production of passenger cars for the first three weeks of 1957 was 9% below the similar level last year. Some producers reported scattered labor disputes.

In the steel industry this week, indications point to the fact that the steel business is not so bad after all, according to "The Iron Age," national metalworking weekly.

This about-face, coupled with restrained optimism in important quarters, puts the steel outlook in a more encouraging light. The market's strong points are tending to offset its weaknesses, although no one is overlooking the soft spots.

Continued easier demand from Detroit, states this trade magazine, portends a decline in steel operations in second quarter. This may be offset somewhat by indications that automotive inventory cutbacks may be over by March. Detroit steel stocks are approaching the stage where further cuts might be dangerous.

Further declines in steel scrap prices could also be a harbinger of an easier second quarter in steel. Prices were off sharply again this week in important consuming areas. The mills apparently are gearing their scrap inventories to anticipated lower operating schedules and prices are reflecting mill indifference to tonnage offers.

The soft tone of the cold-rolled sheet market is giving a break to users of light plates. Some mills are now accepting orders for light plate for rolling on sheet-strip mills. Normally, the producers are not interested in this type of business. Hot-rolled sheet users also are picking up extra tonnages.

But the shift in flat-rolled from a seller's to a buyer's market is giving little comfort to users of plate and structurals. If anything, the outlook for these two products is getting darker. More users are turning to costly gray market, conversion and imports, if they can make deals of any kind. Mills are falling behind on delivery promises after washing out tonnages in December to start the new year on a current basis, continues this trade journal.

There's a growing feeling among steel producers that the Detroit inventory shakedown will be about over by March. No one is going overboard about the prospects for April. But the feeling is that while demand might not get better, the chances are good that it won't get any worse. April demand could be up, depending on the trend in new car sales. Meanwhile, the farm market is showing signs of coming to life. Wire orders from farm areas picked up slightly in January. The mills are cautiously optimistic, but manufacturing wire demand is soft, reflecting the automotive turndown, "The Iron Age" concludes.

In the automotive industry heavier overtime at Ford offset strike losses at American Motors Corp. last week, putting United States passenger car assembly in line for the strongest monthly volume since December of 1955.

"Ward's Automotive Reports" counted 145,775 car completions the past week compared with the year-ago volume of 135,586. The preceding week netted 145,761 cars.

In prospect for entire January, "Ward's" said, are 632,000 passenger cars, or 97% of the 647,000 scheduled for the month. The January total exceeds any monthly output since December of record year 1955.

Programming Saturday car building last week were Ford

Continued on page 54

Pacific Coast Exch. Appoints Committee

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Board of Governors of Pacific Coast Stock Exchange, has announced appointment of the following Committees for Pacific Coast Stock Exchange for 1957:

Ethics and Business Conduct

San Francisco Division Members — Wendell W. Witter, Dean Witter & Co.; R. William Bias, Jr., Shuman, Agnew & Co.

Los Angeles Division Members—Franz Osthaus, Bateman, Eichler & Co., Chairman; Warren H. Crowell, Crowell, Weedon & Co.; McClarty Harbison, Harbison & Henderson.

Listing Committee

San Francisco Division Members — M. J. Duncan, Calvin E. Duncan & Co.; Murray Innes, Jr., Irving Lundborg & Co.

Los Angeles Division Members—P. J. Shropshire, Mitchum, Jones & Templeton, Chairman; William H. Jones, William H. Jones & Co.; J. Earle Jardine, William R. Staats & Co.

Communications and Quotations

San Francisco Division Members—Calvin E. Duncan, Calvin E. Duncan & Co., Chairman; Warren H. Berl, Edwin D. Berl & Sons; Richard P. Cross, Stone & Youngberg.

Los Angeles Division Members—Chester L. Noble, Noble, Tulk & Co.; Paul J. Shropshire, Mitchum, Jones & Templeton.

Mr. Agnew also announced the following appointments to Standing Committees of the San Francisco Division for 1957:

Ethics and Business Conduct

Wendell W. Witter, Dean Witter & Co., Chairman; R. William Bias, Jr., Shuman, Agnew & Co.; Ernest E. Blum, Brush, Slocumb & Co., Inc.; Carl W. Stern, Carl W. Stern & Co., Inc.; James M. Stewart, Wilson, Johnson & Higgins.

Finance

Stanley R. Dickover, Elworthy & Co., Chairman; Richard W. Wild, First California Company; John G. Eidell, Hooker & Fay; Joseph F. Edelstein, York & Co.; Walter A. Hamshaw, Sutro & Co.; Robert E. Sinton.

Floor Trading

Harry F. Flachs, A. G. Becker & Co., Incorporated, Chairman; Howard J. Greene, Sutro & Co.; Jack C. Johnsen, Parrish & Maxwell; William V. Farrell; Warren H. Berl, Edwin D. Berl & Sons; Mark O'Donnell, J. Barth & Co. (alternate).

Listing

M. J. Duncan, Calvin E. Duncan & Co., Chairman; Murray Innes, Jr., Irving Lundborg & Co.; William D. Kilduff, E. F. Hutton & Company; Brantley M. Eubanks, Stewart, Eubanks, Meyerson & Co.; Gerald F. Brush, Brush, Slocumb & Co., Inc.; Arthur Gambarasi, Shaw, Hooker & Co.; Stanley E. Symons, Sutro & Co.

Public Relations

Merl McHenry, J. Barth & Co., Chairman; Richard M. Davis, Davis, Skaggs & Co.; Emmett A. Larkin, Carl W. Stern & Co., Inc.; Harry Meyerson, Stewart, Eubanks, Meyerson & Co.; John P. Symes, Henry F. Swift & Co.; Palmer York, Jr., York & Co.

In Memoriam

ELIZABETH FOX KELLY

The "Chronicle" Loses One of Its Oldest Editors and Truest Friends

Miss Elizabeth Fox Kelly's desk is unoccupied today. It became vacant last week.

—●—

For us, on the "Chronicle," who worked with her, whoever occupies that desk hereafter, her desk will always be vacant so long as Miss Kelly is not sitting there. And she never will again.

—●—

Elizabeth was a young woman when she came to work on the "Chronicle" and Elizabeth stayed with the "Chronicle" for 59 years. The paper was her last job and lifetime profession.

—●—

A whole generation of "Chronicle" people have come and gone in Miss Kelly's time and a second and third generation is on its way. To those of us, who are neither youths in age nor service, Elizabeth Kelly was not only a presence—she was a habit—an institution.

—●—

She will be sorrowfully missed in our office. And there are many Wall Street men who are going to miss her, including thousands of "Chronicle" readers in the United States and Canada who came to know the lucid writings from her gifted pen and her meticulous editorial style.

—●—

Those of us, her editorial associates, are going to miss her smile and friendly greeting as she journeyed from the Hotel St. George, Brooklyn, to our Park Place editorial office daily.

—●—

Yes, Elizabeth Kelly was indeed a kindly person and a good soul, always anxious to help the young novice in the newspaper profession.

—●—

We worked with her the day before she died and said good-bye at the close of day. She too said good-bye with her usual smile and went home. It can be truly said that Elizabeth Kelly died with her "boots on" and that is the way she wanted it.

—●—

As a lasting tribute to her memory, every man and woman on the "Chronicle" staff joins in one grand "Amen" by saying that Elizabeth Kelly was a faithful employee, an able newspaper woman, a devoted, loyal Catholic, with high principles and strong religious convictions, a patriotic American, a woman of gentle sensibilities whose refinement and self-effacement will never be forgotten by her associates who came to admire and respect her nobility of character and gracious personality.

—●—

And to the Dean of our Editorial Room, we all say with deep veneration and love,

"Vale! Vale! Vale! Deus tecum."

U. S. and Canadian Production Creates a Center of Confidence

By L. L. COLBERT*

President, Chrysler Corporation

Tripling of Canadian passenger cars in next 30 years is projected by Chrysler Corporation head on basis of Canadian population growth, economic expansion, and paralleled family income rise. In noting Canadian auto production, in 1956 continued going up while U. S. production declined, Mr. Colbert insists U. S. auto industry is not entering into a replacement basis of production, and anticipates that by 1965 U. S. average output will be 8 million cars and during latter 1960's, it could possibly reach 10 million cars. Sees industry's need for more aluminum and other metals as one of many ways helping to link the two countries into "the most dynamic combination of economic activities in the history of the world" and aiding the free world's future stability and security. Wants inflation and deflation avoided, and Canadian and U. S. private business managements to pursue sound and confident forward planning.

Seven months ago—to all outward appearances—the world was in a relatively settled condition. There were clouds on the horizon, but they were the same ones we had been looking at for quite a while. A lot of people were beginning to think that maybe the international situation had settled down into a kind of atomic stalemate, and that for an indefinite period we would be engaged in a primarily economic competition between the free world and the communist countries. The communist bloc looked pretty solid and wasn't showing any cracks. We all knew the Middle East was loaded with potential trouble, but few of us expected anything like the developments of the last two months.

L. L. Colbert

In that kind of world it seemed logical and appropriate to come over here and talk with you about the tremendous economic promise of your country and mine—without becoming too concerned with international complications.

Today the world scene presents new problems that none of us can ignore. In recent months we have become aware of new dangers as well as new opportunities. We are confronted with a world situation loaded with menace and hope. Few if any of us claim that we can see a way through the tangle. I certainly have no sweeping solution to offer here today.

In spite of my own perplexity, however, in recent weeks I have arrived at one clear conclusion—a conclusion that must occur to every other businessman who sits down at his desk every morning to carry on with his regular duties. That conclusion is that with the world in its present state, the greatest contribution the working citizen can make to bringing about the kind of peaceful world we all want is to get on with his own job and do it to the best of his ability. This is one way all of us can help to preserve strength and stability in the free world.

Canadian and U. S. A. Contribution

And from this thought comes another that is closely related. Canada and the United States are functioning now—as they have for close to two decades—as the economic heart of the free world. Our two countries certainly cannot claim a monopoly, or anything like it, on sound democratic institutions or on devotion to political freedom. We both owe our free political institutions to the great democratic tradition of England. Other lands have also made their contributions. And the inspiring demonstration of courage by the Hungarian freedom fighters against overwhelming odds is new evidence that the willingness to fight and die for freedom is a universal trait and not the exclusive possession of any one people or group of peoples. And let's hope their tragic sacrifice will not have been made in vain.

We in Canada and the United States have been endowed with tremendous natural resources, including climate, inland waterways, soil, and mineral resources. And by a fortunate combination of events we have been left free to work out on this continent the world's most dynamic way of doing business. We have become the economic prime movers of the modern world. And together—in great part because of our economic power and economic potential — we constitute a center of confidence for the free world. This center of confidence can continue to be a rallying point and a source of moral and material strength. And the stronger and more productive we are, the more effectively we will demonstrate to the world the power of freedom—and the faster the forces of discontent and revolt will work to destroy the communist tyranny.

We in Detroit have had a very down-to-earth reminder in recent weeks of the confidence which the world places in your great and growing Canadian economy. Living as we do just across the Detroit River from Windsor, we are very much aware that your Canadian dollar now carries a 4% premium over ours. This premium on the Canadian dollar—resulting as it has in large part from the flow of funds into Canada from other countries — is the clearest possible indication of the confidence which the world has in Canada and its future. We in the United States share that confidence. No country gives greater promise of continued strength and stability. And, incidentally, no country treats investors from outside its borders with greater consideration and fairness.

Growth in Canada

We at Chrysler have enjoyed doing business in Canada since 1925. In that year Chrysler of Canada was established simultaneously with Chrysler Corporation in the United States. In its first year, Chrysler of Canada produced 2,349 passenger cars. In the year 1956 it produced 92,354 passenger cars. But this is not the only way to measure its growth. Right along with the increase in production, our Canadian company has expanded to many times its original size in numbers of employees, numbers of dealers, numbers of suppliers, and in the extent of its investment in physical facilities.

At the present time, Chrysler of Canada employs 11,000 people. It sells its cars and trucks through 1,200 independent dealers, who employ over 20,000 people and have a total investment of close to $80 million in their own businesses. And in 1956 it bought about $150 million worth of components, materials and services from approximately 450 Canadian suppliers, who in turn employ many thousands of people.

In the last three years we have invested $55 million in new plants and equipment in Canada. Among the most important additions to our Canadian facilities are a new plant for the production of V-8 engines, the most advanced installation of its kind in Canada; a doubling of the size of our assembly plant; a new administration building; and a number of other buildings, including warehouses, regional sales offices, and a new experimental engineering laboratory.

It may be of interest to you that the staff of Chrysler of Canada is made up overwhelmingly of people born and raised in Canada. That goes right from the top

Continued on page 45

*An address by Mr. Colbert before the Empire Club of Canada, Toronto, Jan. 10, 1957.

Dealer-Broker Investment Recommendations & Literature

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

Aircraft Manufacturers—Reappraisal—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Cooper Bessemer** and **Koppers Co.**

Atomic Letter (No. 24)—Includes Atomic Highlights of 1956. Comments on **French** atomic power program, British submarine and ship propulsion, and items on Robertshaw-Fulton Controls Co., Lindsay Chemical Co., Consolidated Denison Mines, Ltd. and Can-Met Explorations, Ltd. — Atomic Development Mutual Fund, Inc., Dept. C. 1033—30th Street, N. W., Washington 7, D. C.

Bank Stocks—99th consecutive quarterly comparison of leading Banks and trust companies of the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Canadian Business Review — Monthly publication — Bank of Montreal, Montreal, Que., Canada. (New York office, 64 Wall Street, New York City).

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

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

Canadian Stock Price Changes in 1956—Study—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Fixed Income Securities—Survey—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **National Distillers Products Corporation.**

Insurance Stocks—1957 comparative analysis of 40 life insurance companies — $1 per copy — Dept. CH 1-31, Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, 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.

Montreal Stock Exchange—Booklet and review of listed securities—Montreal Stock Exchange, 453 St. Francis Xavier St., Montreal, Que., Canada.

Mutual Funds—Analysis of tax status of dividends—Taussig, Day & Company, Inc., 509 Oliver Street, St. Louis 1, Mo.

New York City Banks — Breakdowns of Government Bond Portfolios and sources of growth income of 13 New York City Banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at Dec. 31, 1956—First Boston Corporation, 100 Broadway, New York 5, New York.

Northern Miner—Newspaper covering Canadian mining field—$7.50 per year — specimen copy on request — The Northern Miner, Toronto, Canada.

Northern New Jersey Banks—Report—Parker and Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N.J.

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

Selectivity in Stocks—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Toronto Stock Exchange — Monthly bulletin giving essential trading data on all issues listed—Toronto Stock Exchange, 234 Bay Street, Toronto, Ont., Canada.

Uranium—Review—John M. Easson & Co., Limited, 217 Bay Street, Toronto 1, Ont., Canada.

* * *

American Rock Wool Corp.—Memorandum—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Cessna Aircraft Co.**

Armstrong Cork Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Calgary Power Ltd.—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

Carborundum Company—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Cascade Natural Gas Corporation—Analysis—Blanchett, Hinton & Jones, Inc., 1411 Fourth Avenue Bldg, Seattle 1, Wash.

Celotex Corporation—Annual report—Secretary, The Celotex Corporation, 120 South La Salle Street, Chicago 3, Ill.

Champlin Oil & Refining Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Daitch Crystal Dairies, Inc.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Di Giorgio Fruit Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Eastern Air Lines, Inc.—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Franklin Life Insurance Company—Bulletin—Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

General American Oil Company of Texas—Analysis—William R. Staats & Co., 640 South Spring St., Los Angeles 14, Calif.

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

Continued on page 66

National Security Traders Plan Better Public Relations Program

N. S. T. A. President explains long range objective of the Association's public relations program which is aimed at the industry as well as the investing public.

In addressing the Bond Traders Club of Chicago, Jan. 28, William J. Burke, Jr., of May & Gannon, Inc., President of the National Security Traders Association, reminded his audience that ". . . the National Security Traders Association this year in entering upon a public relations program . . . has as its long range objective a better understanding, a better appreciation, and a greater respect for the trader and the service he so professionally performs." According to President Burke, "our objective is aimed, not only at those in our own industry, but at the investing public as well."

Wm. J. Burke, Jr.

Warning that "this is going to be a difficult program to develop but one tremendously worthwhile," the NSTA head appealed for "any ideas that will help us in developing it," and stated, "I would appreciate your forwarding them to me in writing to my office in Boston."

Continuing, Mr. Burke pointed out, "One of the first steps in this program will be to see to it that all the members of the financial press in the cities in which we have affiliates receive honorary membership cards from the National Association. Also, to remind the officers of our affiliates that they be sure to invite the honorary press members of our association who reside in their locale to be their guests at all official gatherings of the affiliates. We, as an industry, and as a professional group have been receiving a most favorable press.

"We are fortunate in having such fair-minded and objective thinking men commenting on our phase of the economy. But we want to project our ideas and messages even more vigorously through the press.

"In addition, of course, another facet of our initial public relations efforts will be used to use our initiative and imagination in originating releases of our own, which will serve to inform our industry and to be of benefit in enlightening the public at large. The friends we all make among the financial press, as well as contracts to be made, by our public relations members and publicity workers in the financial publications field will greatly enhance the use and placement of our own releases.

"The businesses and industries with which we familiarize ourselves from day to day have given us encouraging examples of the effectiveness of wellplanned public relations. Let's take a leaf from their books and get behind our own program."

COMING EVENTS

In Investment Field

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

Feb. 14, 1957 (Chicago, Ill.)
Bond Club of Chicago 46th Annual Meeting at Sheraton-Blackstone Hotel.

March 1, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Bellevue-Stratford Hotel (to be preceded by a luncheon and reception).

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.

With Wm. C. Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Max H. Doering is now connected with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Shell Shares

By IRA U. COBLEIGH

Enterprise Economist

Presenting some general observations about one of the most remarkable industrial organizations in the world, Shell Group; and, in particular, a brisk appraisal of its 40% partner, The Shell Transport and Trading Co., Ltd.

The Shell Group is the third largest industrial corporation in the world (following General Motors and Standard Oil N. J.). It also claims to be the largest petro-chemical enterprise on this planet as well. In shipping, if you think Cunard or U. S. Lines are big, well they are; but they're just a farm club compared with Shell Group. Shell Group owns or operates, right now, more than 7,700,000 deadweight tons of shipping, exceeding by 1¾ million tons, the fabled Esso tanker fleet; and it operates a fleet of tankers roughly five times the size of that of Socony Mobil.

Ira U. Cobleigh

Of course, Shell Group is essentially an oil company to which shipping and chemicals are an adjunct. As an oil company, in 1955 it produced (gross) 12% of the world's oil or a colossal 704 million barrels. Because Shell Group is an "international" oil organization, many people have mistakenly marked it down as a heavy sufferer from Suez. Actually, this is a misapprehension, since less than 12% of its own 1955 production came from Africa and the Middle East; as compared with 45% for Standard of California, 52% for Gulf and 99% for British Petroleum. And, of course, this king-size tanker armada of Shell Group has become a priceless asset since the recent Nasser nastiness; and if it is necessary to run crude around Good Hope for months to come, Shell Group is better equipped to do so than anyone else.

We should talk a bit more about this oil production. If Shell Group is delivering about one-eighth of the world's oil, how is it fixed for reserves? Are they holding up? Yes. A conservative appraisal of Shell Group reserves today would be 25 billion barrels. These reserves are all over the globe, but no doubt the most exciting ones are in Venezuela from whence, in 1955, Shell Group derived more than 33% of its production. Further than that, 50% of capital expenditures in the years 1951-55 for exploration and production were in Venezuela; and by virtue of this, and a new 25,000 concession recently acquired for development there, Shell Group offers, in the opinion of some, the prospect of being a second Creole.

In North America, the group owns 65.4% of Shell Oil Co., which has vast reserve acreages in West Canada as well as in the United States. This American subsidiary alone, with its completely integrated status, is a powerful factor in the success of the Shell Group. For Shell in the U. S. not only embraces production, refining and distribution, but it has been the key factor in petro-chemicals which account, totally, for some $300 million of Shell Group gross. These petro-chemicals depend on by products (principally gas) from refineries, and the better known products include synthetic rubber, polyethylene detergents, solvents and fertilizers. The major chemical output has been coming from Shell Oil Co. (U. S.) due to the fact that its big refineries produced in volume, the necessary by-product elements. In the first seven years after World War II, however, Europe expanded its petro-chemical output by 2,300%. Shell Group has had an important share in this, and by virtue of larger refineries (built post-war), and some importation of technicians from its U. S. subsidiary, Shell Group has moved swiftly ahead with its chemicals in Europe.

Other reserves and oil production, present or prospective, which we neglected to mention, are found in a Sahara exploration company, and in Indonesia.

Now this colossal Shell Group either owns, controls or shares in more than 500 affiliate or subsidiary companies. At the top, the whole enterprise is controlled by two companies, Royal Dutch, a 60% partner, and the company we now propose to discuss, The Shell Transport and Trading Company Ltd. Shell T and T was organized in 1897 and combined with Royal Dutch, on the basis above recited, in 1907. Royal Dutch was listed on the N.Y.S.E. last year, and the forthcoming listing of "Shell" lends some timeliness to our discussion today.

As a long term investment, "Shell" has been a rewarding one. It has paid cash dividends in each year since 1925, supplemented by many stock dividends—25% each in 1954, 1955 and 1956. The issue presently trades over-the-counter in the U. S., where it is quoted at around $21. Since Royal Dutch is already "listed," the trading of "Shell" on the New York Stock Exchange, in due course, is most logical. A broader market for so eminent an equity would, of course, be desirable, and access to American funds for financing any future expansion would thus be greatly facilitated.

The "Shell" capitalization is 81,772,093 shares (of £1 par) preceded by $33,600,000 in preference shares. The present indicated dividend is 52½c a share. There is a British income tax, collected from foreign holders of these shares, amounting to 42½%. It is quite possible that this tax will shortly be eliminated in which case the dollar dividend flow to the American holder would be proportionately enhanced.

Because of the exceedingly complex corporate relationships within the Shell Group, individual appraisal and analysis of Shell common gets to be quite a maze of mathematics. Perhaps it would therefore be helpful to reduce a valuation appraisal to per share terms. Using $150 per ton as fair value for a tanker fleet, you might reach roughly a value of $4 per share of Shell Transport. The pro rata value of Shell Oil Co. (U. S.) runs to about $12 a share. These two total, $16, and since Shell Transport sells at $21, you can swiftly perceive that for the $5 difference the shareholder has an exciting and highly undervalued equity in all the oil production, refineries, reserves, chemical business, and exploration hopes throughout the world (excluding North America which is covered by Shell Oil Co.). That's quite a lot of stuff for $5 a share, and it would certainly command more if sold separately. The oil reserves alone are roughly 120 barrels per share of Shell Transport.

Here then is the common stock of one of the major corporations in the world. Yet it is quite unknown to the rank and file of American investors. Selling at 9½ times net earnings, and only four times its actual cash flow, Shell Transport common would scarcely seem over priced at 21, especially by any reference to equities of comparable magnitude. The diversity of its areas of operation; the traditional excellence and vision of its management; the conservative accounting methods by which assets are stated and earnings arrived at; the generous dividend policy (between 1946-55, dividends, including those paid in stock, increased 340%); the prospect for listing the shares in New York and the far broader investor following which this will generate —all these things point to a constructive viewpoint about Shell Transport.

Finally, the world trend in the demand for oil is upward at the rate of between 4% and 5% a year, and the recent price trend in crude has also been definitely upward. Therefore, there is surely some logic at this time in informing one's self about a stock sharing in 12% of the world's known oil reserves, and 18% of its tanker tonnage. STT may be as good for you as TCP is for your motor car!

Philip R. Clarke, Jr. With Lehman Brothers

CHICAGO, Ill.—Lehman Brothers has announced that Philip R. Clarke, Jr., prominent in Chicago business and civic affairs, has become associated with the firm in its Chicago office, 231 South La Salle Street.

Mr. Clarke has been a Vice-President of City National Bank and Trust Company of Chicago since 1951. He joined the bank in 1946, upon his return from four years of service with the U. S. Naval Reserve in which he attained the rank of Lieutenant Commander. Prior to entering the service in 1942 he was with Glore, Forgan & Co. from 1937 when he graduated from the School of Business of the University of Chicago.

General American Elects Altschul Sec.

Arthur G. Altschul has been appointed Secretary of General American Investors Company, Inc., it has been announced. Mr. Altschul succeeds Malcolm B. Smith who has been appointed Treasurer. Mr. Smith succeeds to the office previously held by Marshall L. Page. Mr. Page continues as Vice-President of the company.

Arthur G. Altschul

Mr. Altschul has been a director of the company since 1952 and has served with the company as a security analyst since January, 1955.

A graduate of Yale University in the Class of 1943, Mr. Altschul served as a lieutenant in the Marine Corps overseas during World War II. Upon discharge from active duty in November, 1945, he joined the reportorial staff of the "New York Times." He became affiliated with Lehman Brothers in January, 1950, and served as a member of the firm's Industrial and Investment Advisory Departments until he joined the General American organization in 1955.

Joins Blyth Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — C. Henri Labbe is now affiliated with Blyth & Co., Inc., Pacific Building.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Emdon F. Slade is now connected with Walston & Co., Inc., 901 Southwest Washington Street.

The Longer-Term Farm Outlook

By ROGER W. BABSON

Forecasting another moderate rise in net farm income in 1957, Mr. Babson views Government's efforts to reduce cotton, corn and wheat holdings, and application of Soil Bank program as steps in the right direction. Though it may take years to realign supply and demand, the noted financial analyst expects U. S. farmers in "the years immediately ahead . . . should average out very well."

Recent developments in American agriculture lead me to believe that the longer-term outlook for our farmers is beginning to change for the better. While I see nothing really dramatic in the shifting picture, I do forecast that the years immediately ahead will be somewhat happier ones for the "folks down on the farm."

Roger W. Babson

The farmers', as well as the government's, present agricultural problem stems from years of mounting surpluses, particularly of cotton, wheat, and corn. War emergency measures were adopted by the government to stimulate farm production, and to safeguard farmers from price drops resulting from any excessive output. Finally these measures became such an integral part of the whole economic (and political) system that they were continued during the postwar years. By intensive cultivation, farmers have been producing bumper crops year after year, even on reduced acreage in some instances, with the surplus being siphoned into government loans.

As of last June 30, Uncle Sam had around $8,300,000,000 of the taxpayers' money tied up in loans on farm surpluses. Huge quantities of cotton and wheat have been piled up in recent years. Total carryover stocks of the white staple at the beginning of the current crop year last Aug. 1 amounted to a record high of 14,500,000 bales — more than enough to cover a year's domestic consumption and exports at the 1956 rate of disappearance. Most of this mountainous reserve was in government hands. A similar situation prevails in wheat. The carryover last July 1 amounted to around 1,030,000,000 bushels — also mostly government held.

Recent Remedial Measures

The various acreage controls applied to some important crops in recent years have been stymied by sharp increases in per-acre yields. Thus, surpluses have continued to mount. The Soil Bank program, however, which was first applied in a more or less limited way last year, may well prove to be a major means of checking the build-up of farm surpluses in government hands over the next several years. Under this program, the government compensates growers for acreage of basic crops taken out of production. The program will be in full swing this year and, if a large number of farmers sign up, as I expect, total 1957 planted acreage should be cut sharply.

More immediately effective, at least in the case of cotton, is the government's export assistance program, which permits exporters to buy cotton from the government hoard at cut-rate prices. Foreign buyers are finding these prices attractive. This is evidenced by the fact that U. S. cotton exports thus far this season are well above those of a year earlier, and may amount to between 6,500,000 and 7,000,000 bales for the full season. This would be nearly triple the 2,200,000 bales exported in 1955-1956, and the largest total in any season since 1933. If this prospect should be realized, the cotton carryover next Aug. 1 may be reduced to the tune of some 2,400,000 bales—a major achievement.

Basic Remedies or Expedients?

Indications are that the government will continue to make every possible effort to reduce its holdings of cotton, corn, and wheat. As to whether this program, along with the Soil Bank, will provide an adequate long-term solution to the farm problem, I do not know. Many farmers, and even some government officials, regard these various programs as only temporary expedients, rather than as basic remedial measures. However, I believe that they are steps in the right direction. We are turning the corner in agricultural surpluses. The government, however, will always be wise to have some supplies in case of war or famine.

The problem, of course, cannot be solved overnight. Years may be required to bring the over-all supply-demand ratio into reasonable balance. The Soil Bank program, which expires in 1959, probably will need renewal. It may even become a more or less permanent part of the government's farm program, along with some form of Federal price support.

New Farm Income Will Increase

U. S. farmers, by and large, are industrious and Godfearing. While they will continue to have their ups and downs, like the rest of us, during the years immediately ahead, they should average out very well. For this year, I forecast another moderate rise in net farm income.

Lakewood Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Ohio — Emily J. Guyer has been added to the staff of Lakewood Securities Corp., 14714 Detroit Avenue.

Two With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William E. Lucas and Barry L. Wolfe have joined the staff of A. C. Allyn and Company, Incorporated, 122 South La Salle Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Like other highly controversial statements of the Secretary of Defense, Charles E. Wilson, his recent crack about the National Guard would serve good purpose if it brought about some soul-searching instead of a lot of denunciation. But the National Guard is politically intrenched and denunciation is about all his crack will get.

Carlisle Bargeron

As to the merits of his statement that draft dodgers entered the Guard during the Korean War to avoid service in Korea, I am not prepared to say, that is, as to the motives of those entering the Guard. The facts are it was a fairly good way of avoiding service. Guard units were mobilized for Korean service but few actually reached Korea. Those that were mobilized mostly replaced at home regular army units that were moved abroad.

It does not follow, however, that this was the purpose of those enlisting in the Guard. Heretofore, the Guard has been mobilized and federalized immediately upon the outbreak of an emergency. Certainly in World Wars I an II service in the Guard was about as quick a way to see action as a young man could desire. But under the present peacetime set-up, with all young men being subject to military service, the Guard does seem to offer the best bet. A member has to drill only about an hour once a week and then spend two weeks in camp once a year which youngsters liking that type of life look upon as a vacation.

A young man taking his draft call, however, must spend two years in active service and then he is beholdened to the reserve for several more years. There is still another way. A young man may join the reserves, take but six months' active training and then goes into the reserve pool for eight years.

A difference between him and the youngster who serves two years is that the fellow joining the reserves still has to report and perhaps drill once a week for the period of eight years. Mostly he just listens to lectures. The fellow serving his two years is through at the end of that period unless an emergency develops when it is a cinch he would, if of suitable age, be called in regardless of his status.

What is griping the Defense Department is that the National Guard seems to have more appeal than the reserves. Unquestionably the Pentagon would like to clip the Guard's wings.

When this writer joined the Guard to go off to the Mexican border in 1916 his unit had not a single horse notwithstanding it was a cavalry unit. It had only about half enough uniforms. Dating back to the Civil War with a very splendid record, it was, nevertheless, mostly a social group. This condition formerly characterized the great majority of Guard units.

They have come far since those days, however. They are now well equipped. They are more disciplined as was evidenced recently when the Governor of a Southern state called out the Guard to enforce desegregation. Years ago the Guard was fairly good at breaking an unpopular strike but it would never have run counter to the sentiment of its community.

Yet unquestionably, in the event of a national emergency, the Guard would have to be trained and conditioned over a period of months before it would be ready for duty. You certainly can't keep in training for a modern war by drilling once a week or spending two weeks in encampment.

On the other hand, there is considerable feeling in Congress that this applies to the youngsters who are drafted, given expensive and technological training for two years and then returned to civilian life. They, too, would have to be retrained, with the rapid change in weapons, and reconditioned. As to those boys who took the six months' course, so to speak, they would have to begin at taw.

Some members have been advocating that the military be made so attractive with even better pay and better living quarters that the military would be made a permanent career.

As I said, if Wilson's crack should serve to bring about a sober reexamination of our whole military set-up it would be most healthy. But it isn't likely to do that.

Charles J. Williams

Charles J. Williams, associated with Newborg & Co., New York City, passed away Jan. 27 at the age of 57.

With Earl M. Scanlan

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harold E. Ragan is with Earl M. Scanlan & Co., Colorado National Bank Building, members of the Midwest Stock Exchange.

Alm, Kane Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Del Geary has been added to the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street.

Joins Blair Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Clyde L. Buchan is now with Blair & Co. Incorporated, 105 South La Salle Street.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William M. Walsh has become connected with Lee Higginson Corporation, 231 South La Salle Street. Mr. Walsh was formerly with Comstock & Co. and Cruttenden & Co.

With McDougal, Condon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John H. Elkington has become connected with McDougal & Condon, Inc., 208 South La Salle Street. He was previously with Paine, Webber, Jackson & Curtis.

McMaster Hutchinson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George M. Thorsen has been added to the staff of McMaster Hutchinson & Co., 105 South La Salle Street, members of the Midwest Stock Exchange.

Who Will Buy Government Bonds?

By ROBERT G. VAN CLEAVE*

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

Concerned about what could best be done to accommodate the sale of U. S. bonds, after analyzing the shift of our "Governments" by commercial and other banks, and insurance companies, C. F. Child's executive suggests attracting more "miscellaneous" investors and holders of idle cash to buy Federal securities by higher interest rates, tax reduction and tax exemption, making such issue competitive with newly-offered private and local government securities. In showing rapid growth of the nation's total debt, Mr. Van Cleave calls attention to $21 billion decline in Federal debt in 10 years since 1945 and immense rise in state-local, corporate and non-corporate debt.

My topic, you will note, is a question — and I am not at all sure there is any definite or precise answer to it. It is a question that really should be extended to embrace still another—who will hold the enormous volume of Treasury securities now outstanding? That volume is now only slightly below its war-time peak of February, 1946, and, on a few occasions during the last couple of years, has been temporarily a little above that peak.

Robert Van Cleave

The Federal debt, like all other debt, has to be held by somebody if it is to remain outstanding. When some holders wish to be relieved of their holdings, other holders must be found, and in fact there has been a tremendous shift in its distribution during the last 10½ years.

I think that in trying to deal with this question we might consider, first, the nature of the changes in ownership which have taken place, and second, how further shifts may be accommodated. Third, and more broadly, we should recognize that the Federal debt is only a part of this nation's total debt, and that it must be considered in relation to the present total and to further growth in that total. This means casting a rather wide net. I shall try to deal with it briefly, even if only in broad outlines. Considering a problem whole, and outlining all its possibilities, is usually the best first step toward its solution.

I

Shifts in Ownership Since the War

Major groups of financial institutions have had other uses for their funds since the war, and they have divested themselves of large portions of the government securities acquired during the war.

Commercial banks have been the largest sellers, cutting their holdings by $36 billion or about 39%.

Life insurance companies come next. They held $21.5 billion at the peak of the war debt in February, 1946; since then, through August, 1956, they have disposed of nearly $14 billion, or about 63%. In relation to their total assets, this represents a drop from roughly 46% to slightly more than 8%. It is interesting, I think, to note that this is precisely the course followed by these institutions following the First World War. By 1920 their government holdings had got up to nearly $800 million, or 11.5% of total assets; by 1930 the ratio had been reduced to 1.8%.

Mutual savings banks, the next largest sellers, have by comparison been quite conservative. They had $11.1 billion, and this figure through August this year had been reduced by only $2.8 billion, or about one-quarter. Their present holdings of roughly $8 billion still represent 24% of total assets.

Savings and loan associations, largely due, I think, to the urging of their league officers, have actually increased their government holdings slightly. At the end of 1945 they had $2.4 billion, or 27.6% of assets. At the end of 1948 these figures had been slashed to $1.5 billion, or 11.2%, but in June, 1956, the amount was up again to $2.7 billion. The percentage however, had dropped to 6.6%.

Thus savings banks have about three times as large a part of their assets still in governments as do the life insurance companies, and nearly four times as much as the savings and loan associations.

What became of all these securities? The biggest part, more than $26 billion, was absorbed by the Federal Government's investment accounts — the Social Security funds, and the like. State and local governments took over $9 billion, "miscellaneous" investors over $7 billion, while individuals, other insurance companies, and the Federal Reserve Banks took smaller amounts. Table I shows these changes in detail.

Non-Financial Corporations

You have heard a great deal in the last couple of years about the non-financial corporations and their holdings of government securities. Actually, as is shown by the table, their share has changed very little over the whole period of years since the war. In between dates, however, fluctuations have been considerable. The figure was $23.3 billion in June, 1945; $13.6 billion three years later, and $24.4 billion—an all-time high—in February of 1956. After the June tax payment date it was down to $18 billion, and it was estimated that by the year-end it still would be $2.5 billion below a year ago.

The fact is that business corporations, and to an extent State and local government units as well, cannot be relied upon to be consistent holders of the public debt. They must be regarded, as Robert Blyth remarked when he was in the Treasury Department, as "convenience holders."

There is nothing derogatory in this. All holders keep their bonds as long as it suits their purposes, and dispose of them when it is no longer convenient to hold them. It merely means that the purposes for which these two groups of investors hold governments are in large part temporary and short-run.

For example, both business corporations and local governments buy Treasury bills and other short-terms with the proceeds of large bond issues; they sell them again as and when funds are required for the capital purposes for which the bond issue was designed.

Stability in the level of holdings for this purpose obviously depends upon a volume of new financing which equals or exceeds the rate of spending on new capital projects.

Business corporations also hold Treasury securities as provision against future payments of taxes. But when, as during 1956, capital programs as well as taxes must be financed more largely with internal resources, they may prefer, or be forced, to draw upon these liquid resources to a greater extent than usual.

Active Miscellaneous Investors

The group of "miscellaneous" investors also merits a further look. This item is a residual, not covered by the surveys, and I think even the Treasury technicians would like to know a good deal more about them. At August, 1956, this residual group accounted for $16.3 billion of the total Federal debt, having taken on $7.4 billion in the preceding 10½ years.

A part of this can be accounted for, though very roughly. It includes the savings and loan associations, with $2.7 billion; foreign holdings lately estimated at about $4.7 billion, and some funds belonging to the World Bank and to the International Monetary Fund.

It also includes corporate pension trust funds and profit-sharing plans which involve retirement benefits. The Treasury Department first surveyed these funds as of December, 1949, and since has done so quarterly. The first survey covered 1,855 funds, with holdings totaling $1.5 billion. The last one, in June of last year, showed 7,863 funds reporting, with holdings of $2.3 billion. They are growing rapidly beyond doubt, but still are not the overpowering market influence they are sometimes thought to be.

It is a relief, to me as well as to you, to get through with all those statistics. What they boil down to is this: While the Federal debt has not changed much since the last big war, it has by and large been shifted out of the hands of private financial institutions and into the hands of governments at all levels, and into the relatively unknown area of "miscellaneous" investors.

II

Further Shifts

Suppose savings institutions desire to continue selling government securities. Suppose, for a particular example, mutual savings banks should consider it desirable to reduce still further their holdings of governments. I noted earlier they still have more of their assets in Federal securities than have either life insurance companies or savings and loan associations. Suppose the tax burden on savings banks should become heavier, either through higher rates or by some adjustment of the permissible deductions before taxes, so that they would wish to expand their holdings of State and local government bonds. This would help quiet the clamor for more money for schools and roads, but what could be done with the Treasury bonds?

Alternative Courses

I can think of seven possibilities. That seems quite a lot, but some of them, as you will see, are really not very desirable.

(1) The Federal Government might simply set up a special bureau, whose duty it would be to control the allocation and use of all funds. This bureau necessarily would have the power to tell every individual and every institution how many government bonds it must hold. I don't like to think about this, so I'll skip over it. I mention it only because of the habit some people have of referring all difficult problems to "the government," in complete confidence that "the government" can do anything.

(2) The Government's investment accounts might buy them. Among these the Social Security accounts are counted upon especially to continue their immense growth. On certain assumptions as to benefits and expenses, it has been estimated that the OASI fund will reach $99 billion by the year 2000. That provides a market for Government bonds as such, but of course it adds nothing to total savings. If the money were not taken away from employers and employees in taxes, it might be saved in some other form.

(3) Special government corporations might be set up to buy other securities so that savings banks, for example, would be encouraged to keep their governments for lack of alternative ways of employing their funds. We already have numerous examples of this sort of thing. The Small Business Administration, the Rural Electrification Administration, the Federal Land Banks, the Federal National Mortgage Association, which buys mortgages di-

Continued on page 56

TABLE I

U. S. Government Interest-bearing Debt and Its Distribution*
February 1946—August 1956
(Billions of dollars)

	Feb. 1946	Aug. 1956	Change
Total	$279.8	$275.6	—$4.2
U. S. Govt. investment accounts	28.0	54.4	+26.4
State and local govt.	6.7	16.0	+ 9.3
Miscellaneous investors	8.9	16.3	+ 7.4
Individuals	64.1	67.0	+ 2.9
Other insurance companies	3.3	5.2	+ 1.9
Federal Reserve Banks	22.9	23.9	+ 1.0
Commercial banks	93.8	57.4	—36.4
Life insurance companies	21.5	7.9	—13.6
Mutual savings banks	11.1	8.3	— 2.8
Non-financial corporations	19.9	19.3	— 0.6

*Based on U. S. Treasury estimates and surveys.

*An address by Mr. Van Cleave before the Investment Officers' Association of the Savings Banks of the State of New York, New York City, Jan. 9, 1957.

Capital Requirements of Banks

By ISAAC B. GRAINGER*
President, Chemical Corn Exchange Bank

Chemical Corn Exchange head looks into the perennial tug-of-war between earnings and safety, and on the basis of 25% minimum secondary reserves and 20% primary reserves believes New York City Central Reserve City banks should average 55% for loans instead of existing 60%. Mr. Grainger favors use of separate group within a bank to continuously appraise loans already made, and suggests compromise in investment portfolio to achieve flexibility and reasonable income.

There are many viewpoints with respect to capital adequacy of banks, but there are no scientifically perfect yardsticks. Former ratios involving deposits are indeed outmoded. Ratios to risk assets would seem a more plausible approach. However, this approach has not had the test of time to develop any completely satisfactory criteria. The Federal Reserve Bank of New York has made some fine studies of this and has developed tentative yardsticks which seem basically good, but as a demonstration of the uncertainty of even their analysis, a "loading" of 25% is applied for a Central Reserve City bank in order to allow for miscalculations. Risk assets, of course, vary drastically. The biggest item in this category is loans, and the loan curve is a very volatile thing. For instance, in the past two years loans have increased 52% and, if capital accounts had increased accordingly, a banking institution might find its capital account entirely out of line with risk assets should the loan curve take a downward trend as precipitously as it went up. As to loan-deposit ratios, the ideal is problematical, for each community has its own special conditions. It is necessary to take into consideration mandatory legal reserves and the amount of discretionary secondary reserves required to fit the pattern of a bank's individual operation before arriving at a residuary fund which might be fully invested in loans. This varies from community to community and bank to bank.

Isaac B. Grainger

*From a talk by Mr. Grainger before the New York Society of Security Analysts, Jan. 29, 1957.

An Excess of Loans

Under present conditions, with loans at almost the highest levels in history, secondary reserves are at a very low figure. I should say for a Central Reserve City bank having 20% of its investible deposits sterilized in the Central Bank, 25% would be an approximate minimum secondary reserve. This would leave 55% for loans. However, as you know, New York City Clearing House averages are somewhat in excess of 60%. For a bank in a community like Newark, N. J., which has only 12% mandatory reserves, "mean high water" for loans could be as high as 63% without resorting to borrowing from the Central Bank.

We earn more money in a high loan position even though borrowing from the Central Bank is necessary to take care of legitimate customers. On the other hand, the greater the loan portfolio, the greater the exposure. Banks have had good experiences in their losses since 1933, but the ability of individual banks will be manifested when the economic situation takes on a different character from that which now prevails. We believe that, in the case of our institution, we will have a good record when economic conditions are not quite so good. Some years ago we established in our bank a Review Division which at that time was something new in the fraternity. It has proved to be invaluable. That division takes no part in the processing of loan applications but confines all its efforts to the continuing appraisal of loans already made. The purpose of the division is to detect quickly any change in character in order that action might be taken promptly for the protection of the bank.

Flexibility and Reasonable Income

The investment operations of the bank are designed to permit flexibility for normal day-to-day requirements and to keep those funds not required by lending officers profitably employed. The easiest investment policy would be to maintain all these reserves in Government bills. However, to do so would put a severe penalty upon earnings, particularly in those periods in which loan demands are slight. Consequently, a compromise has to be made in order that flexibility and reasonable income may be maintained. It would seem easy for a banking institution to profit from the major swings in the investment market. Unfortunately, just the opposite is the case. We never have excess funds for investment when yields are high, and we always have excess funds when yields are low. Recent events have almost proved that an investment policy cannot be designed completely to take care of tremendous swings in loan demand unless shareholders are satisfied for management to ride through easy money conditions with a very low yield on its investment account.

In the last two years our bank has reduced its investment portfolio by $434,000,000. In addition many portfolio switches have been made in order to take advantage of the opportunity to improve income and at the same time recover any losses sustained. We have tried to maintain a balance of one-third tax exempt bonds and two-thirds fully taxable. It is on the former that we have made most of our switches. In all of this program we have dedicated the first extra income to the restoration of reserve accounts against which we have charged losses. By the middle of 1957 the increased income will have equalled the amount charged to reserve and, thereafter, to maturity of about 3½ years, our net income from municipals after taxes will be considerably enhanced.

Construction Outlook for 1957

By DR. GEORGE CLINE SMITH*
Vice-President and Economist, F. W. Dodge Corporation

F. W. Dodge economist expects: housing starts in 1957 duplicating 1956; and slight decline in physical volume of commercial and industrial buildings offset by sharp rise in public utilities and government construction.

This year will see continued expansion of construction activity, but the expansion will not be anything like the great gains made in earlier postwar years. Moreover, there will be changes in the "product mix" of the construction industry which will adversely affect some segments of the industry while giving aspects of a boom to others.

Dr. George C. Smith

Housing in 1956 hit levels which can only be described as low in relation to the size of the nation and its rate of growth. Part of the decline can be attributed to shortage of funds available for mortgages, and part was undoubtedly due to fairly sharp rises in the price tags on houses. In turn, the price tags went up for two main reasons: first, a rise in building costs; and second, a trend toward larger houses, which in itself was partly the result of the difficulty of financing smaller houses under FHA and VA insurance programs.

Certainly there has been no decline in the basic demand for housing. In 1956 we had more marriages than in 1955; more children were born than in any other year in history; the net increase in population was the greatest ever; incomes were at record levels; and while there are no statistics on the subject, there are indications that demolitions of existing housing were at an extremly high rate. All the indications are that in 1957, these demand factors will be even stronger than they were last year.

How much slippage there is between this basic demand and the effective demand—that is, the number of new houses sold—will depend in large part on the credit situation. Several things could happen, which would have the effect of making credit available for mortgages: freeing, or at least raising, of the rates on VA and FHA insured mortgages; a policy of easing of credit by government; and a decline in demand for credit from other sources, particularly business.

As things now stand, we expect to see housing starts in 1957 at about the same level as in 1956, with some increase in rate toward the end of the year.

With regard to the rest of the industry, we expect to see less emphasis on business spending for construction (other than public utilities). This implies drops in construction of commercial buildings and industrial buildings; we estimate the declines as 4% and 2%, respectively, in physical volume of contract awards. Because of continued cost increases there may be no decline at all in dollar volume.

These declines in business spending for commercial and industrial building will be more than offset, in our estimation, by sharp rises in public utilities and in government construction, particularly for highways and other heavy engineering projects. This emphasis on engineering may put considerable strain on supplies of certain materials, not to mention the strain on the supply of civil engineers who will have to handle the great increase in projects.

*Summary of an address by Dr. Smith before the Chamber of Commerce of Greater Philadelphia, January 10, 1957.

Cunningham, Seving Elected by N. A. S. D.

Kirkwood B. Cunningham, Partner, Cunningham, Schmertz & Co., Inc., Pittsburgh, and Frederick T. Seving, Butcher & Sherrerd,

K. B. Cunningham Frederick T. Seving

Philadelphia, have been elected Co-Chairmen of District Committee No. 12 (Delaware, Pennsylvania and New Jersey) of the National Association of Securities Dealers.

They succeed James E. Creham of Moore, Leonard & Lynch, Pittsburgh, and Francis M. Brooke, Jr., Brooke & Co., Philadelphia.

Two With Eastern Secs.

(Special to The Financial Chronicle)

JACKSONVILLE, N. C.—Robert D. Essary and Laurence D. Tanksley have joined the staff of Eastern Securities Corporation, 331 Marine Boulevard.

May Stores Realty 5% Bonds Offered

Goldman, Sachs & Co. and Lehman Brothers are heading a public offering today (Jan. 31) of $25,000,000 of The May Stores Realty Corp.'s general mortgage bonds, 5% sinking fund series, due Feb. 15, 1977 at 99.50% and accrued interest. The corporation is a wholly-owned subsidiary of The May Department Stores Co.

The corporation, which presently owns a portion of the "O'Neil's" department store property in Akron, Ohio, will use approximately $17,350,000 of net proceeds from the sale of the bonds to purchase from its parent the following department store properties at their net book value at the time of purchase: the balance of the "O'Neil's" department store property in Akron, the Clayton and Southtown branches of "Famous-Barr Co." in St. Louis, and the San Fernando Valley branch of "May Co." in Los Angeles. The balance remaining from such net proceeds will be added to the general funds of the corporation to be available for general corporate purposes including the payment of an existing indebtedness to the parent of approximately $2,100,000 and the acquisition or construction of additional properties to be leased to the parent.

The May Department Stores Co. will lease these four properties from the corporation for an aggregate of $2,922,000 annually under 30 year net leases.

The bonds are to be secured by a lien on the corporation's four properties and the leases to the parent are to be subordinated to the indenture of mortgage.

The bonds will have a sinking fund requirement of 2% of the bonds in each of the years 1958 through 1960, 5% in each of the years 1961 through 1968 and 6% in each of the years 1969 through 1977.

The bonds are to be non-callable prior to Feb. 15, 1967 except in certain circumstances with monies realized through damage or condemnation of mortgaged property. The bonds will be redeemable through the sinking fund at 100% and otherwise than through the sinking fund at 105% during the period ending Feb. 14, 1958 with successive reductions annually to 100% on and after Feb. 15, 1976.

The business of The May Stores Realty Corporation will be limited to the ownership of properties which are leased to the parent company.

The May Department Stores Co. operates 30 department stores, ten of which are main downtown stores and the remainder branch stores. May currently has under construction four additional branch stores and a shopping center in which one of the four new stores will be located. The total cost of these projects is estimated at approximately $39,750,000.

Answering the Critics of Federal Reserve Policies

By ALFRED HAYES*
President, Federal Reserve Bank of New York

In answering critics opposing Federal Reserve "tight money" policy and general credit controls, N. Y. Reserve head offers these rejoinders: (1) an increase in interest costs helps check the rise of other and more important costs; (2) money supply growth requirements have been met through more intensive use of available funds; (3) it is not possible to insulate prices of marketable government bonds from supply and demand factors affecting all other kinds of securities in order to achieve redemption at par value and a sound dollar; (4) intent is to induce deferring and spreading out capital outlays not immediately needed without harming feasible modernization and expansion; and (5) central bank must act, though not alone, in vitiating inflation caused by wage and other costs rising faster than productivity. Mr. Hayes prefers market's allocation of savings and admits successful monetary policies depends on cooperative activities of government, labor and management.

I have been impressed by the growing interest in monetary policy and the widespread support the Federal Reserve System has been receiving. From many sides, we see encouraging recognition of our efforts to check what have appeared to us as repeated and serious, though fortunately thus far restrainable, inflationary tendencies in the economy. There seems to be pretty general agreement that preserving the value of the dollar is a worth while goal, both because of the obvious injustices which are thereby avoided and because of the serious danger that an over-exuberant boom will lead inevitably to a sharp reaction at some later date. If we look upon the price level as a thermometer that is sensitive to the balance between demands for and supply of, materials and labor, there have been many signs that we as a nation may have been trying to accomplish too much in a short time in the past year or two.

Alfred Hayes

There also seems to be an encouraging degree of agreement that the steady upward trend of interest rates has resulted not from arbitrary or unreasonable action by the Federal Reserve System but from a spectacular rise in the demands for capital and credit, pressing upon a necessarily limited supply of funds coming from available savings and from all other sources. It is important to stress, too, that the System has never questioned the need for growth in the economy. On the contrary, it is our purpose to permit enough expansion of bank credit and of the money supply to take care of healthy, vigorous growth, recognizing that if we go beyond that limit we shall merely be encouraging further upward pressures on the price level, and distortions in the credit and capital markets that breed further trouble later on.

Calls "Tight Money" Misleading Description

In a way the term "tight money" is a misleading description of the condition of credit which prevails in the country today. Certainly it is misleading if the implication is that credit has not been available to support important expansion. We need only to take a look at such items as the 11% rise in commercial bank loans in the last year, the rise of $11 billion or 12% in residential mortgages, the record level of new security issues, and the 22% increase in capital outlays by business to a new record of $35 billion in 1956. Money is "tight" only in the sense that many individuals and corporations have been unable to lay their hands on as much of it as they would have liked to borrow, and interest rates have risen accordingly. It is quite true that the Federal Reserve System could have prevented this rise in interest rates—but only by supplying an excessive quantity of bank reserves which would undoubtedly have laid the foundation for a much greater expansion of bank credit, much steeper price increases, and much more of an inflationary atmosphere, than we have actually seen.

Now in speaking with satisfaction of this wide measure of support for Federal Reserve policies, I do not want to give the impression that I am blind and deaf to the criticisms which have been leveled at those policies. While some of those criticisms seem to be motivated by special interest in some particular sector of the economy, certainly many of them involve sincere and reasoned doubts, often on the part of persons as well-informed as the monetary authorities themselves, as to the limitations of general credit controls in coping with the economic problems we face today.

Benefits of Higher Interest Costs

In passing I would like merely to mention the objections which have been raised to higher interest rates as constituting in themselves a higher "cost" and hence a force toward inflation. It seems to me apparent that this "cost" role of interest rates is far less important, in the vast majority of cases, than the restraining effects on all other costs that are exerted by checking the expansion of credit and money. For one thing, the higher rates apply only to that portion of total debt which is being newly issued or currently renewed. Incidentally, most of the benefits of higher interest rates go directly or indirectly to the owners of savings, who have been the major losers in the price inflation that has occurred over much of the past 17 years.

There is also little merit in the contention that government bond prices should not be allowed to fluctuate as substantially as they have in the last few years. I can see no way, in an economy where investors are assured freedom to choose between government securities and others, of insulating the prices of marketable government securities from the same general influences of supply and demand that affect all other kinds of credit. As long as general credit control and flexible interest rates are relied upon to provide a major stabilizing influence in our economy, fluctuating bond prices are quite inevitable, and, within reasonable limits, serve a useful purpose as a restraining influence on credit-granting institutions. Any sustained attempt to stabilize government bond prices could succeed only at the cost of an overexpansion of bank reserves. So far as the small investor is concerned, he has ample opportunity, if he chooses, to place his funds where they are not subject to market fluctuations.

Money Supply Growth

Some of the questions, however, which have been raised by outside commentators have also caused much concern to us in the System:

(1) For example, is there danger that the money supply will not be permitted to increase rapidly enough to support a normal economic growth, in real terms, perhaps of 3 to 4% per annum? In the past year the money supply has risen by less than 1½%, but the needs of the economy have been met by more intensive use of the available supply, which has been reflected in velocity figures. We must always keep both factors, money and velocity —and the interactions between these — continually in view. It seems clear to me that if the actual money supply had increased more rapidly, it could only have led to stronger price pressures. Certainly it would be foolish to provide mechanically for a fixed annual increase in money supply, say 3 to 4%, without regard to the intensity of use of money. On the other hand, the rise in velocity has been closely related to the sharply declining liquidity of both banks and corporations, and at some point it may reasonably be asked whether liquidity has reached a dangerously low level, so that we may not, or perhaps should not, any longer expect higher velocity to do a major part of the job for us.

Killing the Goose?

(2) Another line of comment on our policies has to do with the inherently beneficial influence of corporate capital expenditures in combating inflation by promoting greater productivity. Why kill the goose that lays the golden egg? I am quite aware of this beneficial influence, and I hope that the principal effect of "tight money" on capital expenditures will be to defer and spread out capital expenditures that are not immediately necessary, rather than to cause any permanent shrinkage in healthy plans for modernization and expansion. Of course it is at once an advantage and a disadvantage of general credit controls that they deal only with aggregate demands and cannot attempt any judgment as between various outlets for a limited supply of savings. The System's own control measures do not specifically aim to cut down on housing, for example, in favor of corporate plant outlays, or vice versa, even though it might well be argued that some more deliberate discrimination might be helpful to the economy at times. It is quite conceivable that there might be times when the lack of balance among various parts of the economy might make the use of selective controls a helpful supplement to general credit control, but conditions in the past year have not pointed in this direction.

Inflation vs. Unemployment

(3) Another source of doubt on Federal Reserve policies lies in the view that much of the inflationary pressure in our economy in the last year or two has resulted from increases in wages and other cost factors in excess of any reasonable expectations of increased productivity. Unless sufficient credit and money are provided to validate these cost increases and the price increases resulting from them will not the inevitable result be unemployment and disruption of the economy? There is certainly a large kernel of truth in this line of reasoning, but I am convinced, nevertheless, that it would be disastrous for the Federal Reserve System to sit on its hands in the face of a cost-push type of inflation and blithely let nature take its course. Admittedly, however, it is by no means easy to decide just how much or how little the System can or should do to meet this type of situation, leaving aside the deeper question of how feasible it may be to rely on the central bank alone to meet it.

Monetary Policy Is Not Enough

I hope I have conveyed the impression that the System does not believe itself omniscient or infallible in coping with these very perplexing questions. We need every bit of sound advice and every bit of cooperation we can get, and we need the stimulus provided by intelligent questioning of our policies. In fact, one grave danger in the high degree of acceptance which Federal Reserve policies have received is the possibility that too much faith may be placed in monetary policy to deal with all economic difficulties, which, of course, is cannot do single-handed. Sound fiscal policy and debt management, and a statesmanlike attitude on the part of both labor and management, are equally essential.

The task of applying general credit controls effectively becomes increasingly delicate and perplexing the closer we come to a major turning point in the direction in which the economy is moving. Pleasant though it would be to think that the current upward trend can continue indefinitely without interruption, history tells us that this would be too much to expect. To date upward tendencies still seem to be clearly dominant, so that continued restraint is called for, but we must be ever on the alert for convincing signs of change. Furthermore, the loss of liquidity in banks and corporations means that a given statistical level of monetary restraint bites considerably harder

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*An address by Mr. Hayes before the 29th Annual Mid-Winter New York State Bankers Association's Meeting, New York City, Jan. 21, 1957.

What's Ahead for the Fire and Casualty Insurance Stocks?

By WILLIAM W. AMOS*

Assistant Vice-President, The First Boston Corporation

After revealing the favorable and unfavorable basic factors bearing on the outlook for fire and casualty insurance stocks, Mr. Amos believes improvement opportunities are good, and suggests the problems facing the industry might be solved by: securing rate increases where needed, eliminating unwise competitive practices and adopting cost-reducing innovations. Author's table details performance of certain fire and casualty stocks, and shows appreciation was 31% from 1953 to 1956 despite general decline of insurance stocks last year; yield plus average annual appreciation produced an average annual income and appreciation of 13½%.

Rarely are conditions as favorable as the most optimistic expect or as bad as the most pessimistic fear. While this maxim should be kept in mind by investors in stocks of all types, it should be heeded especially by insurance stock investors. Cyclical changes from periods of favorable underwriting results to periods of underwriting losses and back again are characteristic of the fire and casualty insurance business. In spite of these rather wide fluctuations, however, this industry has managed to make excellent progress over many years.

William W. Amos

The year 1956 was a particularly unsatisfactory one for the fire and casualty companies from the standpoint of profitability of their underwriting operations. A combination of reduced fire rates and sharply increased fire and storm losses plus a rise in the frequency and severity of accidents, caused a number of lines of coverage to become less profitable or unprofitable simultaneously. Actually, the adverse phase of the cycle started in mid-1955 at a time when prices of fire and casualty stocks had reached peak levels after an extended rise. The sharp decline in the market prices of these stocks which ensued reflected both a readjustment from a somewhat inflated level and a full discounting of the actual and projected shrinkage in underwriting profits. Thus, in about a year and a half (from June 30, 1955 to Dec. 31, 1956) fire and casualty insurance stocks declined from approximate parity with the general stock market to a discount of over 30%.

What is called for at this point is a balanced appraisal of the present position and prospects of the fire and casualty industry and of the stocks of the companies within the industry. In order to make such an appraisal it is necessary to take a broad perspective, to eliminate, insofar as possible, preconceived opinions and emotional thinking and to give full consideration to all the relevant factors. This is a broad order and may be more than can be expected of mere mortals. However, it may be worth while at least to make an attempt.

Describes the Industry

First, let us look at the industry. An analysis of the fire and casualty business reveals the following outstanding characteristics:

(1) It is large as demonstrated by the fact that the stock companies take in about $8 billion in net premiums written and have total assets aggregating over $17 billion.

(2) It is growing as shown by the increase in net premiums written from $3 billion in 1946 and by the gain in assets from $6.6 billion in 1946.

(3) The fire and casualty insurance business provides an essential service. American business could not function without the protection against loss which the insurance companies provide. As examples, without insurance the home construction business and the automobile business would be seriously curtailed. Credit cannot be extended without the protection against loss afforded by insurance companies. The need for the services of insurance companies is bound to increase as the economy expands.

(4) The fire and casualty insurance business is a regulated one. Insurance laws of the various states, recognizing that insurance is an indispensable factor in our economy, require that insurance companies charge rates that are fair and reasonable, and which should assure enough income over a period of years to pay losses and expenses and leave a margin for profit and contingencies.

(5) The investment side of the fire and casualty insurance business is important and provides a steady flow of investment income to these companies. The assets of fire and casualty companies consist chiefly of cash and marketable securities, including usually high grade bonds and stocks. Most of these companies have enjoyed substantial market appreciation in their stock holdings over the years. The net investment income provides the basis for dividend payments—usually all underwriting profits are ploughed back and about 40%-50% of net investment income is retained in the business.

These are basic factors concerning the industry. They may be termed favorable characteristics. That the favorable aspects of the industry have been stronger than the unfavorable ones is attested to by the great progress made by the industry, its present impressive strength and the profits which have been made by investors in its securities. The latter point will be elaborated upon later. At this point, however, it may contribute toward a balanced picture to comment upon some of the problems of the industry.

Unfavorable Factors

Like most other important businesses, the fire and casualty insurance industry has its problems. It would be dangerous and unwise to minimize these problems. They are serious ones, especially in the cases of the smaller companies. However, while recognizing the need for finding solutions to them, it may be pointed out that they are not completely new or insoluble. In a period of poor underwriting results there is a tendency to emphasize the ills of the industry and to despair of finding solutions.

The problems of the stock companies in the fire and casualty business are outlined below:

(1) The merchandising methods involved in the agency system have been challenged by the direct writers and the large mutual companies. A whole new group of middle and upper middle income recipients has been added to the country's population in the past decade. The up-grading process is continuing. With this change there has developed an increased price consciousness. Commissions of agents in many cases have been overly high in relation to the services they render. This has permitted the direct-writers and mutuals to cut under the rates of the agency companies. It has also resulted in a draining-off by the direct-writers and mutuals of some of the most desirable business, leaving the agency companies with an adverse selection of risks.

(2) Competition among the agency companies themselves has resulted in some unsound practices. For example, extra commissions have been paid by certain companies as an inducement to direct what has been deemed desirable fire insurance business to them. In matching higher commission rates, the expense ratios of some companies have become disproportionately high. Other items of expense also have tended to move upward for many companies, resulting in a narrowing of profit margins. The large multiple line companies with strong

Continued on page 55

*An address by Mr. Amos delivered before the Old Colony Division of the Massachusetts Savings Bank Association, Jan. 17, 1957.

NSTA Notes

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association has elected the following officers for 1956-57:

Richard J. Payne

William Belknap

Albert Hewitt

President: Richard J. Payne, Walter C. Gorey Co.

Vice-President: William Belknap, William R. Staats & Co.

Secretary-Treasurer: Albert A. Hewitt, First California Co.

Directors: Rudolph T. Sandell, Shuman, Agnew & Co.; Paul E. Isaacs, Sutro & Co.; William L. McLoughlin, Blyth & Co., Inc.; William F. Watts, Merrill Lynch, Pierce, Fenner & Beane.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold its 33rd Annual Winter Dinner on Friday, Feb. 8, 1957, in the main ballroom of the Bradford Hotel. Dinner will start at 7:30 p.m., preceded by cocktails at 6:00 p.m. The usual Members' Luncheon for Out-of-Town Guests will be held at 12:15 p.m., the same day, in the Old Boston Room of the Parker House. The members of the Committee responsible for this year's arrangements are:

Walter T. Swift, Chairman, Kidder, Peabody & Co.; Clive B. Fazioli, White, Weld & Co.; Herbert L. Ferrari, Hornblower & Weeks; David A. Haley, Goldman, Sachs & Co.; John L. Ingham, Jr., Blyth & Co., Inc.; John C. Mathis, Jr., Estabrook & Co.; James F. McCormick, Jr., A. C. Allyn & Co., Inc.; John L. McDonough, H. C. Wainwright & Co.; James E. Moynihan, J. B. Maguire & Co., Inc.; Sumner R. Wolley, Coffin & Burr, Inc.

Leo F. Newman of American Securities Corporation and President of the Boston Securities Traders Association has announced his appointments to serve on committees for the year 1957.

COMMITTEES

Boston Securities Traders Association for 1957

Winter Dinner: Clive B. Fazioli, White, Weld & Company.

Summer Outing: Edward J. Opper, J. B. Maguire & Company, Inc.

Harvest Party: Warren A. Lewis, Weeden & Company.

Quotation: Burton F. Whitcomb, Chairman, Harriman Ripley & Company, Inc.; Curtis S. Bates, Draper, Sears & Company; Clement Diamond, Townsend, Dabney & Tyson.

Publicity: Richard E. Murray, May & Gannon, Inc.

Advertising: James R. Duffy, Reynolds & Company.

Membership: Albert Crosby, Chairman, F. S. Moseley & Company; Rodney P. Kent, R. W. Pressprich & Company.

Bowling: John L. McDonough, Chairman, H. C. Wainwright & Company; Gerald D. Martins, F. L. Putnam & Company, Inc.; Irving D. Connelly, W. E. Hutton & Company.

National Committee: Wilfred G. Conary, G. H. Walker & Company; Anton E. Homsey, du Pont, Homsey & Company; James B. Maguire, J. B. Maguire & Company; Leo F. Newman, American Securities Corporation; William S. Thompson, Carr & Thompson, Inc.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their Annual Mid-Winter Dinner on March 1, 1957 at the Bellevue-Stratford Hotel at 7 p.m. with a luncheon and reception to be held at 12 noon.

New York Stock Exchange Weekly Firm Changes

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

Hartley F. Hutchings will retire from partnership in Hooker & Fay on Jan. 31; on Feb. 1 John S. Logan, general partner, will become a limited partner.

Lewis G. Salomon will retire from limited partnership in F. L. Salomon & Co., Jan. 31.

Kenneth M. Seggerman retires from partnership in Schwabacher & Co., effective Jan. 31.

Richard H. Robinson withdraws from partnership in Van Alstyne, Noel & Co., Jan. 31.

J. Horace Block, member of the Exchange, retires from Weil & Doyle, Jan. 31.

Malcolm Smith, Russell Giffen and R. Stanley Dollar will retire from limited partnership in Dean Witter & Co. on Jan. 31. On Feb. 1 Herman H. Michels, general partner will become a limited partner.

Appraising the Mortgage Market Through the Years Ahead

By JOHN F. AUSTIN, JR.*
President, Mortgage Bankers Association of America
President, T. J. Bettes Company, Houston

Nationally known mortgage banker expects: (1) 1957 to be a good year for conventional loans on commercial and industrial properties, and even residential loans, with more mortgage funds available this year than last; (2) tight money for remainder of this decade if announced private and public capital expansion plans materialize; (3) lenders to be more selective; and (4) no moderation in interest rates except for short periods of technical readjustment. Mr. Austin advises mortgage bankers to become reconciled to this outlook; praises monetary-fiscal techniques in holding undue expansion in leash; and finds changed FHA rate has not produced strong reaction.

Each of us in the management of our business must appraise the future. Upon the accuracy of our individual appraisals our success or failure depend. None of us can be sure of his analysis; uncertainty of the economic future is one of the risk components of the business picture and this is where experience is our best aid. Along with our own experience, the analyses of economists are important tools. These economists are experts in their fields just as you and I are expected to be experts in our field of real estate finance. We sometimes accuse them of living in Ivory Towers but this may not be all bad. After all, their forecasts, opinions, analyses are only a part of the whole picture; they are to be blended with such other elements as personal experience, local peculiarities and so on.

John F. Austin, Jr.

Foresees Decade of Tight Money

Recent events in the money market, while in part reflecting short run considerations, even more emphatically reveal a long-term consideration to which business must adapt its financial planning. This condition is one of chronic shortage of the supply of capital funds in relation to the demand for them. It is a condition that is likely, in my opinion, to continue with only slight variations in intensity for the remainder of this decade and perhaps longer, if announced plans for the expansion of our capital plant, both private and government, are realized.

Ironically, prosperity has given us our greatest difficulty; that of getting mortgage money. It is the severest since the dark days of the early 1930's.

We recognize, of course, the fundamental differences between the 1930's and today. In the thirties we had a severe shrinkage in the supply of loanable funds. Today we have a high pressure demand that keeps pushing constantly ahead of an *expanding* supply of investment funds. These differences do not alter the fact that money is hard to come by and the strong supposition at least, that it is harder to get money for residential mortgages than for other purposes.

This situation has special implications for mortgage financing since its lack of flexibility and adaptability, that are characteristic elsewhere, limits the breadth of its appeal to investors. A number of such limitations can be pointed out:

Factors Influencing Mortgage Supply

(1) Mortgage financing is distinctly a local matter, while the sources of mortgage funds are still largely concentrated in a few centers, mainly in the eastern part of the country. At best, therefore, mortgage investment, particularly in sections remote from the supply, involve special investigatory and supervisory expense that can be avoided when ample non-mortgage investments are available.

(2) Large blocks of funds, especially in savings and loan associations and banks, are frozen geographically by limitations on the area of lending imposed by state law.

(3) State laws respecting foreclosure, by creating unequal degrees of risk to investors, tend to diminish the flow of mortgage funds to some states.

(4) State laws respecting the doing of business by out-of-state corporations seriously deter investment by banks, pension funds and some other types of investors in mortgages.

These circumstances give mortgage financing an inherent competitive disadvantage in comparison with corporate bonds and other types of financing, particularly in the parts of the country where the local supply of funds that is committed institutionally to the mortgage field (such as those of savings associations and mutual savings banks) is inadequate to meet the requirements of their expanding economies. This disadvantage becomes especially evident—and crucial—when, as in the present situation of high demand, investors have a wide choice of placements.

That is the situation in which we find ourselves and the one with which we must live. If we want to do business, we will have to do it with the realization that others, plenty of others, are bidding and bargaining against us. A case in point is the City of Memphis tax-exempt issue yielding 4.40%, which seems to have established a new floor.

Grounds for Optimism

When mortgage money is hard to come by and interest rates are stiff, it is a sign of prosperity. It means that things are going full blast, and that our resources in men, materials, and savings capital are being used to the limit. That is certainly a cause for cheer; and we have it in good measure now, with our total output of goods and services going to successively new high levels each quarter.

There is another reason for optimism in this situation. When, prices can be held at a fairly stable level, in the midst of the greatest peacetime demands on our physical and financial resources that we have ever seen, and in the fact of constant upward pressure on wage payments, it means that monetary policy is serving its purpose. It means that the expansionary impulses of the economy are being held in leash by the refusal of the monetary and fiscal authorities to supplement the available supply of savings with all the bank credit that borrowers would consume if they had their way.

Praises Monetary Controls

To me, this is a most encouraging thing, and a thing that should greatly strengthen our confidence in the future. For if real demand can, by monetary controls, be restrained closely to the limits of available savings, we can be pretty sure that the demand will remain to be supplied another year, if not this, and that it will not be destroyed by inflationary price rises which are the inescapable result of a prodigal use of bank credit at a time of high prosperity.

I'll admit it has some painful aspects. It's painful for the businessman who cannot get all the funds he needs for purposes which to him are as important, or more important, than any others in a surging economy. It is painful to the consumer who finds that some of his hopes must be deferred for the simple reason that the terms of borrowing are too stiff. But these are small penalties to pay, if the result is that our economy can be held at a high level and that we can avoid the much more painful penalties that follow an extravagant outpouring of bank credit.

We can live with it though, just as we've lived with lush days. The transition period is the most difficult but after we adjust to the situation, we'll continue to progress and be the better for it. This means a rough kind of adjustment for those of us who are seekers of mortgage funds. We may as well admit it, we've been spoiled by easy money. We've had it with only brief interruptions since the 1930's. Until fairly recently the trend in interest rates has been down and every proposal for easing credit has met with ready takers.

Lenders Take Charge

But now things are different and I think for some time to come they are going to keep on being different. The terms of the bargain are going to be set on the other side of the table. Lenders are, and will continue to be, more selective. They are being selective because they have no other choice. All comers can no longer be satisfied. There are simply too many of them. Lenders have to raise standards as well as rates in order to ration even a growing volume of available funds amid the greatest upsurge of peacetime capital demands that has ever occurred in the history of this country.

Future Mortgage Outlook

What does all this mean for the mortgage market?

I think we mortgage bankers must be reconciled to the probability that tight money will be with us for some time to come. The high level of prosperity, the enormous demands for goods and services, the confident attitude of both producers and consumers toward the future all make for continued pressure against the supply of funds.

While we may expect the volume of savings to continue to grow, and while it is possible that there will be some abatement in present levels of investment in industrial and commercial expansion, I can see little chance of a moderation in interest rates except for short periods of technical readjustment.

Our problem, therefore, is that of learning to live with tight money rather than hoping vainly to find some escape from it. Until the economy itself begins to pause for breath, and until some unused capacity is evident and some slack exists in material resources, relaxations of credit by either direct or indirect methods offer a very delusive sort of medicine.

The coming year should be a good one for conventional lending. This seems especially true of loans on commercial and industrial properties. It should also be true in the area of conventional residential loans, where activity has been notably stable. It may reasonably be expected that a greater volume of conventional home mortgage funds will be available this year than last.

The big question remains the FHA and VA loan market; FHA's action of last December raising the rate allowed on loans insured under Section 203 has not, as yet, produced a strong market for these loans. The future of the VA loan can only be described as uncertain.

Continued from page 13

Answering Critics

now than it would have a year or so ago.

Comments on Proposed Study

Earlier I mentioned the growing interest in monetary and credit problems. This tendency shows itself also in the suggestions coming from many quarters for a thorough study of our money and banking structure and especially of the financial institutions, other than commercial banks, that have increased greatly in relative importance in the past few decades. My distinguished predecessor, Allan Sproul, was one of the first to raise his voice in recent years in favor of such a study—and I am very glad to see that his suggestion seems likely to bear fruit. Study is unquestionably needed. At the same time, however, it may be appropriate to inject a note of caution: I hope that legislative action will be taken only after there has been ample time for a thorough and objective review—and I hope also that in a search for means of broadening the scope of credit control the lawmakers will not make the error of trying to apply to non-banking financial institutions a type of regulation peculiarly adapted to commercial banks. Now will they, I hope, make the even greater error of giving the government too much power over the allocation of savings to various sectors of the economy, and correspondingly diminishing reliance upon the allocation accomplished by market forces, which express the collective but unregimented judgments of many thousands of different savers, investors, and borrowers.

I suspect that after the study is pleted, general credit control as presently administered, doubtless with some modifications, will be found to be the most reliable and impartial method of exercising government influence over that elusive and vital element in our society, money. Let us be on our guard against the danger that, in our efforts to obviate the complaints of inequity directed at general credit control we may espouse methods which will prove much more inimical to individual freedom.

*An address by Mr. Austin before the Chicago Mortgage Bankers Association, Jan. 15, 1957.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks seesawed without any conclusive action for the most this week, the most cheering aspect being that the industrial average is weathering one of the more dour months of the year without taking any overly hard jolts.

* * *

The tale told by the rail average, however, is not a heartening one. The average is back down around the levels it reached in late 1955 after the President's heart attack; and the flood of earnings reports, in general showing moderate improvement, haven't been able to kindle any real interest in them.

Steels Uncertain

Steels, which had been under pressure about as pronounced as that anywhere in the list, followed the general market although a modest boost in U. S. Steel's dividend rate helped to harden them for a time.

* * *

The camps were split rather widely as far as the steel picture was concerned. A leveling off in new orders generated much pessimism over the state of this business for later this year. On the other side was the fact that comparisons with a year ago, when steel customers were busily stockpiling the metal in advance of the steel strike, are faulty. And generally the steels offer reasonable price-times-earnings prospects and above average yields.

Good Backing for Aircrafts

Aircrafts generally continued to work uphill against the trend and show one of the better group actions. Among institutional investors the aircrafts appear to be highly regarded, particularly those specializing in missile work which is encouraging for the large number of investors who lately have been decidedly timid about the over-all market.

* * *

Among the more recent missile awards was the first for an artillery missile snared by Glenn Martin which was so hush-hush that not even the amount of the contract could be revealed by defense officials. Martin already had a large contract in connection with an intercontinental missile as does General Dynamics with Douglas working on an intermediate range missile. Bendix Aviation is on the list with an anti-aircraft one.

Misgivings About the Airlines

While the aircrafts have been popular, repeated surveys that point up the favorable outlook for some of the airlines have failed to stir up anything dramatic. In part the reason is that the shift to the jet age will call for heavy expenditures. Even an informed projection on future results of the perennial money maker of them all, Eastern Air Lines, shows earnings dipping until 1959 but then recovering rapidly to in excess of $7 a share against less than $5 last year.

* * *

Much dour thinking has centered on the extent to which traffic will be diverted from the busy New York-Florida run by Northeast Airlines. This overlooks the fact that the additional authorizations were made mostly because the lines on the run couldn't satisfy the demand. Moreover, Eastern is still in the process of digesting its merger with Colonial Airlines which will provide a seasonal traffic fluctuation just the reverse of Eastern's normal one.

Giant New Listing

A new foreign face is scheduled to join the listed wares next month, the gigantic Montecatini Mining & Chemical Co., which already has built up speculative interest. This Italian-based corporate colossus originally started out late in the last century as a mining company but has since grown to one of the most diversified industrial enterprises in the world, comprising metals, pharmaceuticals, petroleum, textiles and utility services.

* * *

As with most foreign entities, the trading medium locally will be American Depository Receipts. Those of Montecatini represent five of the Italian shares of which there will be 100,000,000. Consequently the American shares will be limited to 20,000,000. By most yardsticks the shares that sell slightly above $20 are at a high level nor is the 4.4% indicated yield overly generous. However, the big attraction in this situation is the expanding economy of the country in which Montecatini, as the second largest Italian enterprise, benefits fully.

Good Chemical Prospect

Among the domestic chemical corporations, Allied Chemical was in good regard in some quarters largely because of its long retreat from last year's peak. Like others in the field, last year was not one of the better ones, and earnings fell off from the record level of 1955. Allied, however, is given a good chance to snap back this year with some sources putting the figure at $6 a share against $5.25 in 1955. At that projection, Allied currently is priced at around 16-times earnings which is a reasonable level for this premier growth industry.

Utility Suppliers

One of the more solid projections into the future concerns the demand for electricity. But between the makers of electrical apparatus only as a portion of their over-all business and those that virtually live off the utility companies there are rival camps each armed with convincing arguments. At the moment the drag of the consumer appliance market is giving the edge to the boiler companies like Babcock & Wilcox and Combustion Engineering. The fact that both are active in atomic energy development is an added weight in their favor. In fact, both are in a good cross-section of investment company portfolios, notably those that have been heavily committed to the atomic energy era.

* * *

Of the two, Combustion Engineering offers the better statistical basis selling at around 17-times-earnings and offering a modest 3.8% which, however, is well above that of Babcock's. Foster Wheeler, also an important supplier to utilities, is the volatile member of the group. Earnings were not good last year, apparently, but could snap back sharply as shipments of heavy equipment ordered several years ago start to move.

* * *

Armstrong Cork has also passed through a period of declining earnings as new plants took their toll of ready cash without so far contributing to earnings. But projections for this year show higher sales than last year and the elimination of extra expenses points to a good recovery in earnings. Several new products have been evolved, notably in plastics, which this year will show benefits to offset lower sales in the housing field where estimates are for no more and, perhaps slightly less starts this year over last 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.]

Augustus Kelley

Augustus W. Kelley passed away Jan. 26 at the age of 72. In the past he had been a member of the New York Stock Exchange.

Continued from page 4

Observations . . .

	Date announced	First trading date (1956)	PRICE CHANGE* DURING: One month prec'd'g announcement	Announcem't date to first trading date	First trading date to year-end
Briggs & Stratton	1/17/56	Mar. 22	+ 3	+15	+28
Brown Shoe	6/ 5/56	Aug. 21	+ 8	—14	— 7
Carpenter Steel	1/25/56	Jan. 31	+ 3	+ 4	+41
Champion Paper	4/30/56	July 26	+ 9	— 2	—11
Chesapeake Corp.	12/23/55	Mar. 21	+17	— 2	—12
Chickasha Cotton Oil	5/21/56	Oct. 3	+25	+ 0.1	—19
Clark Equipment	2/13/56	Apr. 30	— 3	+11	+33
Combust. Engineering	3/15/56	Apr. 25	+ 6	+ 8	+ 4
Container Corp.	6/25/56	Sep. 13	+11	— 5	—15
Continental Can	12/22/55	Jan. 10	+10	+ 2	+ 6
Continental Insurance	11/18/55	Feb. 17	+13	— 4	—12
Cosden Petroleum	6/19/56	July 26	— 5	— 5	— 3
Crescent Corp.	10/ 9/56	Nov. 28	+31	—27	+18
Cutler-Hammer	5/21/56	July 10	—22	+38	+13
Delaware & Hudson	12/28/55	May 10	+ 8	— 3	+ 9
Dresser Industries	9/27/56	Nov. 20	+ 8	+13	— 3
Federated Dept. Stores	12/ 1/55	Jan. 27	— 2	— 4	—14
Fidelity-Ph. Fire Ins.	11/18/55	Feb. 17	+ 7	— 2	—12
Gardner Denver	8/25/56	Aug. 28	+ 7	+ 0.2	+20
General Foods	4/ 4/56	May 11	— 3	+ 3	— 9
General Ry. Signal	8/22/56	Oct. 26	+ 1	+14	+ 4
General Shoe	12/22/55	Mar. 6	+10	—12	—14
Georgia-Pacific	7/31/56	Sep. 11	+32	— 7	—23
Greenfield Tap & Die	9/ 7/56	Oct. 24	+17	— 1	— 9
Hercules Powder	12/ 1/55	Mar. 21	+ 8	— 6	—14
Hilton Hotels	7/29/56	Sep. 18	+ 5	— 3	— 7
Hussmann Refrig.	7/18/56	Sep. 19	+11	+ 2	—14
Intertype	10/20/55	Feb. 21	+ 5	—15	—12
Jaeger Machine	7/25/56	Sep. 17	+22	— 1	—16
Johns-Manville	11/17/55	Mar. 12	+ 8	— 1	+ 2
Lehigh-Portl. Cement	11/18/55	Apr. 19	+ 2	— 2	+20
Lehman Corp.	9/12/56	Oct. 18	+ 3	+ 7	+ 3
Louisville Gas & Elec.	9/18/56	Nov. 20	+11	—20	+ 7
Manhattan Shirt	5/ 1/55	Jun. 27	+18	— 7	—17
McGraw-Hill	6/28/56	July 25	+11	— 2	+ 4
Mead Corp.	3/15/56	Apr. 25	+ 5	— 2	— 5
Minnesota Min. & Mfg.	2/20/56	May 9	+ 5	+13	— 2
Minn. & Ontario Paper	12/15/55	Feb. 15	+ 9	— 1	— 9
Montgomery Ward	11/29/55	Apr. 30	+10	—16	—16
N. Y. Ch. & St. L. RR.	1/17/56	May 16	+10	+ 2	— 5
North Amer. Aviation	6/11/56	Aug. 6	— 0.1	+ 1	—13
No. Pacific RR.	12/ 8/55	Apr. 11	+ 4	+ 9	— 1
Otis Elevator	11/25/55	Jan. 11	+10	— 2	+15
Owens-Corn. Fiberglas	3/20/56	Apr. 26	+ 8	+ 9	+ 2
Parker Rust Proof	11/14/55	Jan. 4	+ 5	— 3	—13
Petroleum Corp.	1/ 4/56	Feb. 24	+ 1	+17	— 1
Phillips Petroleum	4/25/56	Jan. 18	+ 7	+ 4	+ 1
Pittsb'gh Consol. Coal	11/22/55	Feb. 8	+ 9	+11	+24
Plough Inc.	2/14/56	Apr. 18	+11	— 5	+ 2
Procter & Gamble	2/14/56	May 23	+ 5	+ 1	— 8
Revere Copp. & Brass	2/28/56	Apr. 24	+ 1	+ 3	—17
Royal Dutch Petrol.	9/20/56	Nov. 20	+11	— 3	— 0.2
Seaboard Airline RR.	3/ 6/56	Apr. 25	+ 7	— 6	— 4
Seaboard Finance	12/ 7/55	Apr. 25	+ 5	— 0.4	— 9
Shahmoon Industries	12/29/55	Feb. 24	+40	+ 3	+ 2
Southern Ry. Com.	1/ 2/56	May 16	— 1	+ 2	+ 4
Square D Co.	7/13/56	Sep. 14	+12	+ 1	+17
Standard Oil, Calif.	2/23/56	May 4	+ 2	+10	— 8
Standard Oil, N. J.	11/ 3/55	Jan. 31	+ 7	+ 4	+12
Sterling Drug	11/ 2/56	Nov. 7	+ 0.2	+20	—16
TelAutograph Co.	1/ 7/56	May 1	+10	— 8	—60
Texas Co.	1/20/56	Apr. 25	+ 6	— 9	— 0.2
Union Bag & Paper	12/ 2/55	Feb. 1	+ 4	— 2	— 6
Union Pacific RR.	11/23/55	May 9	+12	—10	— 9
U. S. Freight	2/28/56	May 8	+10	— 8	+19
U. S. Hoffman Mach.	3/27/56	May 2	+15	— 1	—20
Utah Power & Light	7/18/56	Oct. 9	+ 3	+ 3	— 5
Visking Corp.	11/22/55	Jan. 5	+ 4	— 4	+13
Western Auto Supply	10/17/56	Nov. 21	+22	—19	+ 0.4
Yale & Towne	1/26/56	Apr. 13	+ 6	+ 5	— 4
Average relative performance			+ 7.8%	Unch.†	— 0.6%

*Based on the relative percentage change in the corresponding Dow Jones Average.
**Excludes issues admitted to trading after Nov. 30.
†A decline of 1/10%.

Nat'l Secs. Research Names Meyer, Dacey

The election of H. Kenneth Meyer as Executive Vice-President and of William J. Dacey as Assistant to the President of National Securities & Research Corporation, 120 Broadway, New York City, has been announced by Henry J. Simonson, Jr., President. The corporation sponsors and manages the $300 million-asset National Securities Series of mutual funds.

Mr. Meyer, formerly a Vice-President, is also a member of the policy committee and of the board of directors. He joined National Securities at the time of its incorporation in 1930.

Mr. Dacey, a member of the policy and investment committees, joined the corporation in 1953. He was associated for many years with Hornblower & Weeks in their Boston and Detroit offices until 1951 at which time he joined the investment management firm of Preston, Moss & Company, Boston.

Electronic Stocks in 1957 And Dynamic Industry Outlook

By JOHN P. CHASE*
President, John P. Chase, Inc.
Investment Advisor, Electronics Investment Corp.

Noted electronics advisor details increasing growth outlook for electronics industry and widening profit margin prospects. Uncertainties affecting the general market are shown by Mr. Chase to be, paradoxically, helpful to the electronics. Opines stocks have fully adjusted themselves pricewise, and companies are entering a new and more profitable expansion period.

In my opinion, there are several important reasons why investors would be justified in adopting a more aggressive attitude toward the electronic stocks at this time, irrespective of the uncertainties of the general market:


John P. Chase

(1) Electronic companies during the past 18 months have been going through an adjustment period after 10 years of unparalleled growth and now appear to be emerging into a new and more profitable expansion period.

Adjustment Made

(2) During these past 18 months the average price-earnings ratio at which electronic stocks have sold has declined from 16 to 11, while earnings themselves have declined, resulting in an over-all price decline of over 30% in a representative list of stocks in this group. These stocks appear now to have fully adjusted themselves pricewise and to be strongly held.

Advantages From Uncertainties

(3) Most of the uncertainties affecting the general market—viz., a restrictive monetary policy, narrowing profit margins and excess capacity in certain lines, rising inventories particularly in the hands of manufacturers, the higher level of consumer debt, and international tensions—would not appear to affect adversely the electronic industry because:

(a) Increased international tensions call for higher defense spending, which is concentrated on electronically controlled weapons.

(b) Narrowing profit margins stemming from higher wages are a reflection of the underlying inflationary trend, which, however, tends to benefit the electronic business by augmenting the need for labor-saving devices. In this connection it is fortuitous, in view of the power of organized labor, that there is a labor shortage developing as a result of the low birth rate of the early thirties. Thus the introduction of automation is not putting men out of work, but on the contrary, permits the retention of the shorter work week and still increases productivity which will be necessary if a 50% increase in Gross National Product is to be accomplished with an increase of only 14% in the effective working force.

(c) Excess capacity in certain lines tends to increase competition which in turn places additional emphasis on the need for more efficient production in order to lower costs. This factor, too, tends to benefit rather than hurt the electronic industry.

(4) The electronic industry has not only been the outstanding growth industry in the past 10 years but gives every indication of continuing to be such. Ten years ago the industry ranked low among the various 200 industries in this country; two years ago it had risen to the eighth place and in 1956 it is expected to rank fourth. Electronics is growing at a rate twice that of Gross National Product, and continued growth appears assured since the electronic industry is the prime beneficiary of three important elements of growth: military and industrial necessity, and consumer demand. Military demand has, of course, been the biggest factor in this growth. The enormous sums spent in the last 10 years for crash military projects have constituted a forced draft upon the growth and development of the electronic industry. It has been stated by one of the top electronic authorities in this country that "enormous expenditures by the government for military crash projects have resulted in more scientific knowledge being developed in the electronics field during the last six months than during the preceding 15 years." Furthermore, the knowledge gained in the military field has to a remarkable extent, spilled over into industrial and commercial applications where the profit margins tend to be much wider.

Tremendous New Growth

The growth of industrial and consumer electronics is indicated by the fact that there were only 26 major electronic lines in these two fields 10 years ago, while this year there are estimated to be more than 1,700. Examples of mass consumer items that may rank in importance with the television industry, where 38 million sets are now in operation, include the electronic oven, electronic refrigeration and air-conditioning, and electro-luminescence.

Predicts Larger Profits

(5) Growth by itself, however, is not sufficient reason to become bullish on electronic stocks at this juncture. Growth in volume must be accompanied by widening profit margins in order to have an attractive investment opportunity. There are 12 specific reasons for believing that profit margins and earnings of most electronic companies will expand in 1957, contrary to the expectations of industry in general:

(a) Individual companies have been spending large sums of money on basic research and problems not directly related to production and sales. After exploring various over-all aspects of electronics, many companies have narrowed their research efforts to more productive, specialized fields.

(b) Individual companies have spent large sums on the actual production and sale of products that they have subsequently abandoned, as was the case with many makers of television sets.

(c) Many companies have been forced to "hoard and stock-pile" engineers just as other industries acquire and hold large raw material deposits. This expensive manpower which has been held in reserve will be more fully utilized as these companies enter the production stage.

(d) Redesign and improvement of products promise to become more economical and better controlled.

(e) Short-run production schedules have been the rule rather than the exception. With larger volume these expensive changes in production schedules will be minimized.

(f) Increasing production contracts with the relative decline of research and development contracts will increase production runs and raise profit margins.

(g) A general progress toward an increased degree of standardization will lower per-unit costs.

(h) Replacement sales will become increasingly important and this growth will help margins.

(i) Government procurement methods are changing and contracts are being let directly to complete system makers rather than hundreds of "black box" or small component manufacturers, resulting in greater efficiency.

(j) Larger individual orders are being awarded to a more limited number of companies, permitting lower costs, higher profit margins and/or lower prices with increased sales and profits.

(k) Breaking-in of new personnel and plants has been expensive and should be less important percentagewise in the future.

(l) Growth by itself tends to increase profit margins.

All these factors that have been adversely affecting the profits of electronic companies appear to be changing for the better, particularly for those companies which have determined the segment of the industry in which they are going to specialize.

The above pattern, of change, is not evident for all companies but is applicable to many of them. Thus, selected electronic stocks appear reasonably priced, as they enter a new phase of rapidly expanding sales and increasing profit margins. In other words, a higher degree of order is coming into this dynamic industry which heralds good news for stockholders.

*A talk given by Mr. Chase before Hayden, Stone & Co., New York City.

John Nuveen Adds Lipscomb to Staff

KNOXVILLE, Tenn. — Swift Lipscomb of Knoxville, Tennessee, has become associated with John Nuveen & Co. as its sales department representative in Middle and Eastern Tennessee and Northern Georgia, according to C. W. Laing, President of the 58-year old firm.


Swift Lipscomb

Mr. Lipscomb has been a sales representative of J. C. Bradford & Co. of Nashville, Tennessee, for the last four years. Prior to that first "tour of duty" in the investment banking business, Lipscomb logged 35 months of escort carrier service during World War II and an additional 24 months of the same during the Korean action. He now holds the rank of Commander, USNR.

John Nuveen & Co., although the oldest and largest investment banking organization in the United States dealing exclusively in municipal securities, previously has not had direct representation in the Southeast, Mr. Laing said. The Company was founded in Chicago in 1898 and now has offices in New York City, Boston, Cincinnati, Detroit, St. Paul and Los Angeles.

J. A. Hogle Absorbs Dahlberg Company

SALT LAKE CITY, Utah—The merger and consolidation effective Feb. 1 of Henry Dahlberg & Company, underwriters and dealers in municipal bonds and corporate securities in Tucson, Ariz., with J. A. Hogle & Co. is announced by Mr. James E. Hogle, Managing Partner. "The Hogle organization is extremely proud to become associated with this prominent Arizona firm," Mr. Hogle said.

Henry E. Dahlberg, owner of the firm bearing his name, becomes a General Partner of J. A. Hogle & Co., and will continue business operations with his present staff and facilities at 202 North Stone Avenue, Tucson.

Mr. Dahlberg has been active in Tucson and Arizona municipal and corporate financing as well as being associated with national underwriting activities since 1933. In addition, he is advisor to the Board of Directors of the Southern Arizona Bank & Trust Co., and is a director of the Arizona Land Title & Trust Co., Cal Ray Bakeries and Douglas Investment Company. Among his many civic activities, he is President of the Tucson Social Service Exchange and is a director of the Tucson Better Business Bureau. He has been an officer of both National and State Security Dealers Associations.

"The merger is a further indication of the firm's continuing efforts to bring Western investors the best possible service," Mr. Hogle said. In recent months, J. A. Hogle has opened a modern new office in Long Beach, California, and is currently installing Western Union's fastest private wire system throughout their chain offices. The new communications network will link Mr. Hogle's 17 Western offices with New York.

Coffin & Burr Inc., to Be NYSE Member Firm

BOSTON, Mass. — Albert T. Armitage will acquire a membership in the New York Stock Exchange and on Feb. 7 Coffin & Burr, Incorporated, 60 State Street, will become an Exchange member firm.

Officers of Coffin & Burr, Inc. are Mr. Armitage, President; John A. Paine and Henry B. Pennell, Jr., Senior Vice-Presidents; James A. Sebold, Edward S. Amazeen, William S. Webber, Jr., and Charles L. Skinner, Vice-Presidents; Malcolm G. Dodge, Walter V. Kennedy and Jerome M. Ingalls, Assistant Vice-Presidents; Hollis T. Gleason, Secretary; J. Ernest Robinson, Treasurer; Joshua B. Richmond and Reginald E. Foss, Assistant Secretaries; William G. Hardin, and Edward B. Hubbard.

Four With Leonard

The following have joined the sales department of Ralph B. Leonard & Co., Inc., 25 Broad Street, New York City: John J. Holland; George J. Arnold; Edward W. Connell; and John T. Herne.

The Investment Ass'n of New York

By VANCE VAN DINE

Morgan Stanley & Co., New York City
Treasurer, The Investment Association of New York

Now membering 450 young men under 35 drawn from the investment field, the Investment Association of New York, according to Mr. Van Dine, carries out social, self-educational and public educational activities. The author recounts: the Association's sponsorship lecture series by experts; assistance received from Investment Bankers Association of America; work with Joint Committee on Education as an Associate Member; and maintenance of a Speakers Bureau. Concludes membership growth parallels return of young men to Wall Street and efforts made on behalf of the securities industry.

The Investment Association of New York was formed nine years ago with 27 charter members to "promote a spirit of cooperation and understanding among the members and to aid in the further education of the members in the field of investment banking and brokerage." Its active membership was limited to persons 35 years of age or less. Today it is an organization of nearly 450 young men representing more than 150 firms and engaged in every facet of the investment business. Included are members of buying, sales, syndicate, research, municipal and other departments, more than a few of whom are partners.

The 1957 Executive Board consists of:

President: Maitland Ijams, W. C. Langley & Co.; **Vice-President:** William G. Gallagher, Kidder, Peabody & Co.; **Secretary:** Donald

Maitland Ijams

William G. Gallagher

Donald S. Coons

Vance Van Dine

S. Coons, Smith, Barney & Co.; **Treasurer:** Vance Van Dine, Morgan Stanley & Co.; **Chairman, Education Committee:** Worthington Mayo-Smith, Merrill Lynch, Pierce, Fenner & Beane; **Chairman, Entertainment Committee:** A. Parker Hall, Jr., Shearson, Hammill & Co.; **Chairman, Membership Committee:** Richard C. Egbert, Estabrook & Co.; **Chairman, Program Committee:** John William Middendorf, Wood, Struthers & Co., and **Chairman, Publicity and Publications Committee:** Charles C. Lee, Jr., White, Weld & Co.

Organization's Purposes

The organization's activities might be divided into three categories, namely the purely social, the self-educational and the education of the public. The purely social activities of the association are designed to broaden the acquaintance of the members with others of their approximate age and experience in Wall Street. This is accomplished through periodic luncheons, cocktail parties, dinners and outings. After a year or so in the Association most members know at least one person in virtually every other firm in Wall Street.

In pursuit of its second object, to further the education of its members, the Association invites speakers of authority in their fields to address its monthly luncheons and its annual dinner. Speakers have included leading Wall Street figures as well as prominent industrialists, educators and government officials. In addition, the Association for the past several years, in cooperation with New York University, has sponsored a series of lectures on "The Economics of the Securities Industry." These lectures are given by experts in various economic fields and are attended by the Association's members and guests.

Association With Investment Bankers Assn.

A new endeavor in the field of self-education was inaugurated last year in conjunction with the Investment Bankers Association of Amercia. The Investment Association set up 11 counterpart committees to parallel the Standing Committees of the IBA. These groups are meeting with their IBA counterparts and will distribute to all interested members of the Investment Association the Annual Reports of the IBA committees presented at Hollywood each year. In 1957 the Investment Association committees expect to take an active role in the formation of these reports and thus bring to them the benefit of the thinking of younger men in the industry.

The third category of activities is the education of the public. In this connection the Association maintains a Speakers Bureau of more than 40 young men with speaking or teaching experience. Speakers appeared in 1956 before close to 100 audiences comprising an estimated 5,000 persons. These ranged from single lectures to 10-week courses at universities and adult education schools. The most notable was a six-week course given during the spring at Cooper Union, in which 1,000 people enrolled. A large number of the requests for speakers received by the New York Stock Exchange are turned over to this group. Films are usually shown and literature distributed, and charts and other visual aids are frequently used.

Joint Committee on Education

Last year the Investment Association was asked to join the other sponsoring organizations of the Joint Committee on Education as an Associate Member. The Joint Committee each year brings some 35 members of university economics faculties to Wall Street for an intensive three-week Forum on Finance conducted by men of top rank in the business, with the expectation that they will return to their classrooms better equipped to present an understanding of the workings of our economy. In addition to acting as advisors and counsellors to the faculty members who participated, Association members concluded the three-week program with an enthusiastically received panel on "Career Opportunities in the Securities Business."

Another educational project in which the Investment Association participated last year was the forum on the American Securities Business at Rensselaer Polytechnic Institute. This conference brought close to 1,000 secondary school teachers from all sections of the country for a two-day study of the securities industry. Members assisted in the preparation of the program and served as panelists, as well as staffing an information center throughout the session.

The growth in membership of the Investment Association has paralleled the return to Wall Street of the young men who were so notably lacking in the 30s and 40s. The expansion of its activities is an indication of the broad range of their interests and the sincerity and energy of their efforts on behalf of the securities industry.

Henry U. Harris Sees Fair Stock Market Performance

Narrower stock price changes and fair market performance predicted for 1957 by Senior Partner of Harris, Upham & Co.

Henry U. Harris, Senior Partner of 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, said Jan. 18 on WCBS' "This Is New York" program that "with business activity continuing at a good level, we can anticipate, I believe, narrower price fluctuations but, on the whole, a pretty fair market performance during 1957, particularly during the first six months."

Henry U. Harris

Factors to Consider

Mr. Harris pointed out "three sensitive areas that must be considered strikes against the business picture for the latter part of 1957, are, mainly: (1) Tighter money conditions and the threat that they will be even tighter will put the brakes on the marginal type of business expansion. The Federal Reserve Board seems serious in its attempts to avert inflation and a speculative boom that could lead to trouble later; (2) Fears that some industries have been expanding production facilities too fast and (3) A downtrend in profit margins in certain industries which affects earnings and which may discourage future expansion plans."

J. Barth to Admit Three New Partners

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, on Feb. 7 will admit W. Howard Brown, Eugene G. McMahon and Richard C. Van Houten to partnership. All were formerly partners in Heller, Bruce & Co., which has been merged with J. Barth & Co.

Waldo I. Shuman

Waldo I. Shuman passed away Jan. 24 at the age of 71. Mr. Shuman prior to his retirement was a member of the New York Stock Exchange and a partner in the brokerage firm of Shuman & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Hartford Fire Insurance Company

This, the oldest of the Connecticut companies, was chartered in 1810 by a special act of that state's legislature, and it began business in that year with a capital of $150,000 of stock and notes. It is today one of our largest fire companies, and, with its principal affiliate, Hartford Accident & Indemnity Company and several other subsidiaries, covers the insurance field except for life writings. The affiliates of Hartford Fire, represented by 13,000 agents are:

Hartford Accident & Indemnity Co.
Hartford Live Stock Insurance Co.
Citizens Insurance Co. of New Jersey
London Canada Insurance Co.
New York Underwriters Insurance Co.
Twin City Fire Insurance Co.

The company is licensed in all states and territories, District of Columbia, Canada, and in certain foreign countries through American Foreign Insurance Association.

The latest figures available are those for 1955 year-end, when total assets were $745,390,000, putting the company in third position on this count. Capital consists of 2,500,000 shares of $10 par value. Surplus and voluntary reserves totaled $266,901,000; and conditional reserves $11,011,000 at that date, bringing total capital funds (otherwise known as policyholders' surplus) to $302,912,000. Unearned premium reserves were $230,301,000.

At the 1955 year-end consolidated premium volume showed the following distribution: Fire 20.8%; Extended Coverage 6.8%; Inland Marine 4.9%; Workmen's Compensation 12.2%; General Liability 7.6%; Auto Bodily Injury 16.5%; Auto Property Damage 8.4%; Auto Physical 10.3%; Miscellaneous 12.5%. Premium volume (consolidated) increased about 180% in the ten years ended with 1955, to $343,446,000.

The combined loss and expense ratio in 1955 was 93.4%, and in the ten years ended with 1955 it averaged that figure also, indicating an underwriting profit margin of 6.6% for the period.

The investment policy of Hartford Fire is very conservative. A break-down of its assets at Dec. 31, 1955, follows:

Cash	5.0%
U. S. Government Obligations	33.0
Other Bonds	19.4
Preferred Stocks	11.6
Common Stocks	23.3
Other Investments	0.8
All Other Assets	8.2
Market Adjustment	—1.3

It is doubtful that Hartford Fire will, for 1956, show improvement in its portfolio valuations, as both equities and bonds are for the most part at lower market levels. However, despite the highly unsatisfactory underwriting record for the industry in 1956, such is the quality of risks assumed by this company, that it may well be one of the few larger units to report a modest underwriting profit. Investment income is expected to be higher than in 1955.

Ten-Year Statistical Record — Per Share

	Liquid. Value	Adjust. Und.	Invest. Income	Federal Taxes	Net Earn.	Dividend	Price Range High	Low
	$	$	$	$	$	$		
1946	66.39	—0.23	2.28	*0.09	2.09	1.17	60¾	42¾
1947	65.80	3.37	2.54	0.31	5.[illegible]0	1.17	51⅞	44⅞
1948	75.05	9.83	2.86	2.64	10.05	1.17	57¾	47
1949	88.42	12.50	3.37	4.71	11.16	1.60	79⅝	75⅜
1950	96.85	6.41	3.98	2.[illegible]9	7.70	1.92	92⅞	67⅜
1951	102.90	4.49	4.42	1.13	7.78	1.92	92¾	78¼
1952	112.48	5.17	5.02	2.86	7.33	1.92	110⅝	84
1953	119.72	8.74	5.81	5.28	9.27	1.92	110¾	94⅞
1954	144.03	7.94	6.57	5.70	8.81	2.40	159	139½
1955	124.18	6.93	5.66	4.94	7.70	3.00	191	155¼

*Credit. NOTE—Adjustments made for stock dividends in 1949, 1954 and 1955.

Hartford Fire has had an excellent dividend record with uninterrupted payments since 1873, well over 80 years. A large number of the companies experienced a lapse about that time because of the incidence of several huge conflagrations that were so costly to the relatively small units of the day; the Chicago, Boston and Virginia City (Montana) fires which left many companies bankrupt. The present annual rate of payment is $3.00 in quarterly payments of 75 cents. As noted in the above tabulation, stock dividends were paid in 1949, 1954 and 1955.

With top grade management, business written considered to be of such excellent character, and with risks well diversified geographically, Hartford ranks high among the more discriminating investors in fire-casualty issues. In the decade ended with 1955 the portfolio saw an appreciation of over $64,000,000. Investment income increased 204%, and market price about 178% (this figure being after adjustment for stock dividends). The stock enjoys much favor among managers of pension and trust funds.

Semi-Flexible Sterling Proposal And Sterling's Upper Limit

By PAUL EINZIG

A semi-flexible system under which sterling would be rigid in the face of selling pressure but flexible in face of buying pressure is analyzed by leading British economist who finds the apostles of elastic rates prefer half flexibility as better than none. Dr. Einzig concludes that it is likely the Government will adhere to present policy but that it "would not be altogether safe to take this for granted."

LONDON, Eng.—The firm tone of sterling since the conclusion of the arrangement to provide additional dollar facilities from the International Monetary Fund in December, 1956 gave rise to a wave of optimism in Britain. The possibility that sterling might soon reach its upper limit of $2.82 is now widely envisaged. In face of a buying pressure the rate would then be held at that figure by the Exchange Equalization Account which would take up the surplus supply of dollars in the London market. As a result the gold and dollar reserve would increase.

Dr. Paul Einzig

After the decline of the reserve during the second half of 1956 such an increase would be very welcome. For the addition of substantial amounts as a result of the arrangement of dollar facilities constitutes no genuine strengthening of sterling defenses. Those facilities will have to be repaid sooner or later, and should they have to be drawn upon extensively, the anticipation of their eventual repayment would necessarily add to the pessimism concerning the prospects of sterling in the long run. No such considerations arise if the reserve increases as a result of dollar purchases by the Exchange Equalization Account, even if the counterpart of the additional gold is represented by an increase of foreign sterling balances which are subject to withdrawal at short notice.

Semi-Flexible Sterling

Optimism concerning the prospects of sterling in the near future gave rise to a new suggestion—that, when the rate reaches the figure of $2.82, the authorities should not intervene to arrest its further rise beyond that figure. It is suggested that Britain should follow the example of Canada, by allowing sterling to go to a substantial premium if that is the natural trend of the market. This suggestion represents a compromise between the official policy of maintaining sterling within two cents on either side of the parity of $2.80 and the idea of a "flexible" pound with no limits to its fluctuations, advocated in many influential quarters.

It is quite obvious that Mr. Macmillan is firmly committed to the prevention of any depreciation of sterling. On the other hand, he is not committed to the prevention of an appreciation of sterling. The Government's determination to prevent a depreciation below $2.78 is as firm as ever. It is incompatible with the adoption of the flexible system. It is not incompatible with the adoption of a semi-flexible system under which sterling would be rigid in face of a selling pressure but flexible in face of a buying pressure. Many of the supporters of the flexible system, realizing that their proposal stands no chance of being adopted under the present Government, would now be quite willing to support the semi-flexible system as the next best thing to their proposal from their point of view.

Advantages of Such a System

The advantage of the semi-flexible system as compared with the flexible system is that it does not do away with the lower limit of $2.78, the rigid maintenance of which is practically the only safeguard Britain has against nonstop and accelerating inflation. It is too tempting for Chancellors of the Exchequer to take the line of least resistance and to allow sterling to slide rather than take unpopular disinflationary measures if this course can be taken without grave loss of prestige. If virtue is made of necessity by laying down the rule that a depreciation of sterling under market pressure is a respectable monetary system, it would be politically impossible to adopt measures such as the credit squeeze or instalment credit restrictions instead of allowing sterling to decline by another 10 cents or 20 cents at a time.

If the flexible system had existed during the run on sterling in 1947, Dr. Dalton would have authorized the Exchange Equalization Account "with a song in his heart" to allow it to decline again and again. Nor would Sir Stafford Cripps have lost face by eventually consenting to a drastic devaluation, after having emphatically disclaimed any such intention on half a dozen public occasions. Even the two Conservative Chancellors, Mr. Butler and Mr. Macmillan, would have preferred to avail themselves of sterling flexibility in the downward direction rather than check the expansion of industrial output by the adoption of their disinflationary measures.

Speculator's Reaction

Under the semi-flexible system the advocates of flexibility would still claim to be able to defend sterling more effectively against speculative pressure than under the present system. In their view so long as the official policy is to maintain sterling rigidly in the close vicinity of its parity, speculators attacking sterling stand a chance of making a profit by taking a negligible extent of risk. The extent of their possible losses is strictly limited by the Government's policy of preventing a rise above $2.82. Once that limit is removed those who go short in sterling would run a much graver risk, the extent of which would be difficult to estimate.

An appreciation of sterling above its present limit would necessarily be temporary, because it would react unfavorably on British and Sterling Area exports. Many speculators would not be in a position, however, to wait until sterling relapsed to its parity or below it. They might feel impelled to cut their losses by covering at an unfavorable rate. The mere possibility of such losses would discourage the extent of adverse pressure on sterling during unfavorable periods. It would enable the Exchange Equalization Fund to pursue deliberate tactics, somewhat similar to those pursued during the 'thirties, aiming at inflicting punishment on speculators in sterling. The scope for such maneuvers would of course be much narrower than under full flexibility when sterling could be allowed to decline as well as to rise. Even so, according to the apostles of the elastic rate, half flexibility is better than none.

Future Course of Action

There is reason to believe that, when sterling approaches its upper limit, pressure will be brought to bear on the Government to allow it to go beyond that limit. Nor would it be altogether safe to assume that the Government will not listen to that advice. Admittedly, by allowing sterling to rise instead of preventing it through buying dollars, the authorities might abstain from securing as much gold as they would secure under existing system. Even this is by no means certain, however.

Possibly the mere announcement of the suspension of the upper limit of $2.82 would lead to a covering of short positions and a replenishment of depleted sterling balances on a large scale. Foreign importers, who during recent months were deferring their long-overdue payment for goods delivered, would hasten to repair their omission. Conceivably the Exchange Equalization Fund would be able to secure a larger amount of dollars than under the rigid system, without having to arrest altogether the rise in sterling. These considerations are no doubt examined in official quarters with due care. While the chances are that the Government will adhere to present policy, it would not be altogether safe to take this for granted.

Delaney, Doherty Hudson White Partners

DETROIT, Mich.—Roy F. Delaney and John E. Doherty, Jr., on Jan. 22 became partners in Hudson White & Company, members of the Midwest and Detroit Stock Exchanges. Mr. Delaney, who was formerly a partner in Smith, Hague, Noble & Co. will make his headquarters in the firm's Detroit office in the Buhl Building, as will Mr. Doherty.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Neil R. Sweeney, Jr., has become connected with Dempsey-Tegeler & Co., Midland Savings Bank Building. He was previously with Carroll & Co.

Dean Witter Co. Installs Ticker in Dept. Store

Jean Witter, partner, Dean Witter & Co., explains the symbols on the ticker tape to Miss Irene Bramers an I. Magnin model who believes in the Invest in America Plan. The new ticker was installed in I. Magnin & Co. by Dean Witter & Co. as a public service.

SAN FRANCISCO, Calif. — It's high styled financial news when one of the nation's leading investment banking firms teams up with one of the country's smartest stores to bring world-wide investment news to the store's customers.

That is what Dean Witter & Co. and I. Magnin have done. Jean Witter, partner of the investment firm and Robert Shannon, general manager of I. Magnin presided at the installation of a Dow Jones ticker by Dean Witter & Co. in the Magnin's men's department.

Jean Witter said he believed this is the first ticker to be installed in a department store.

Its purpose, according to Mr. Witter, is to stimulate the interest of the public in owning a share of American business and to demonstrate one of the many services available to them at our offices. It's another step, he emphasized in bring "Wall Street" to "Main Street."

"Service to our customers," was Manager Shannon's reason for favoring the ticker installation by the investment firm. "There has never been a time in our history when there has been such an avid interest in news—local, national and world-wide, by so many people. It is I. Magnin's desire to help satisfy this interest," he said.

Merits of Sales-Leaseback During Tight and Easy Credit

By LOUIS J. GLICKMAN*

Chairman, Glickman Corporation, New York City

Forecasting a prosperous future for those who find increasing use of the "sales and leaseback" technique, Mr. Glickman describes its usefulness during tight, and even easier, credit periods for "it turns into usable cash item of real estate that encumbers the balance sheet." Author opposes selective credit controls and terms inflation "one of the worst evils that can befall any economy."

I find sale and leaseback is becoming an increasingly interesting subject as time goes along. It is becoming both increasingly popular and increasingly important. I think time will demonstrate that it is a very valuable economic tool that must be made of increasing use to keep thriving economies, such as that of Canada and that of the United States, in their healthy, vigorous conditions. Let me say this at the outset: the longer the policy of tight credit is carried out by the monetary authorities, and the tighter that policy becomes, the more important will be the technique of "sale and leaseback." And, unless all the signs are misleading, credit likely will become tighter, with no reliable indication at this time how long it will continue to remain tight, either in the United States or in Canada.

Louis Glickman

Your ears must be accustomed to hearing favorable things said about the economic prospects of Canada. Much as I dislike to repeat what others say, I must reiterate one basic fact: I know of no place on earth, including the United States, where the economic prospects are brighter and more alluring than they are in Canada. Certainly, even you who live here and keep abreast of affairs, cannot know of the real potential wealth of Canada, because no one can know it. What all of us know is that as exploration and investigation continue, greater and greater natural wealth is uncovered. What you require is time, capital and more hands, and I hope you acquire them in the measure proper to their best use for the people of your own country. From our side of the border we are glad to join with you to the extent that you need us, realizing as we do that you are naturally as anxious to keep Canada basically for Canadians, and Canadian capital, as every other nation on earth is anxious to do for itself.

I believe that the economies of both the United States and Canada are so alive, so flexible and so promising that there is room enough for everyone to prosper with proper respect for the innate patriotism of one another.

Avoiding Inflation

Now, in these times our economies are following parallel courses. Both are expanding at terrific rates and the fiscal authorities and the governments of both lands are concerned about the dangers of inflation. That concern, in my humble opinion, is a very proper one. Inflation is one of the worst evils that can befall any economy. The trick is to avoid it, and, failing that, to keep it at a minimum without reversing the favorable trend of economic development which, after all, proceeds from the identically basic points in both the United States and Canada. These include an expanding population, a continuously higher development of production technology, and an insistence by both people on higher and higher standards of living—higher standards not only in material terms but in spiritual terms and in terms of healthier leisure.

The power of monetary authorities to curb inflation lies generally in their control of the money supply and, with it, the control of credit, as I need not tell you. But I am sure I do need to remind some students of our economies that these monetary tools can operate only in a very large way. They must affect the economy as a whole. They cannot be applied selectively. They cannot be made to make credit easier for building construction and harder for automobile purchases; easier for public school construction and easier for industrial construction.

Opposes Selective Credit Controls

And I for one am grateful that they cannot be made to operate selectively. The application of selectivity must be at the option of the market place, of the businessman himself. It is up to us in our free enterprise system to find our own solutions to our economic problems within the framework of the system itself. But the credit rate — the interest rate — has its own built-in control in the profitable use to which borrowed money may be put. When the interest rate rises too high for money to be worth the price of borrowing it, there will be less borrowing, and the rate will fall. And, as credit eases, the mechanism of our economy automatically should spur those who need it to go after it and put it to use. That, at least, is the design and our hope.

But there are many aspects of inflation. One of the worst is when the time comes that the classical economists identify as that when "too many dollars are chasing too few goods." Let us say that some of the goods the dollars are chasing are very necessary goods. But whether they are necessary or not, they go up in price as the dollars chase them, bringing on its own share of inflation. And the only way to avoid that part of inflation is to provide the goods which the dollars are chasing.

This can be done, in many instances, through the sale and leaseback method. Through this method a corporation which owns its own real estate can turn that real estate into needed cash for its own expansion and produce more goods without losing the use of the real estate. It simply turns to another instrument of our economic system, and that instrument is alive in the large body of investors who prefer to put their money into real estate. They stand by today ready to put cash into corporate industrial real estate where a favorable transaction can be made with the industrial corporations as a good and reliable tenant. It is a method not open to every corporation, of course. But then no source of money is ever available to every applicant who comes along. The real estate company that undertakes the transaction must look to the value of the lease to the investors who buy and it must make the rate of return to the investors adequate both to their risk and to the duration of the operation.

Usefulness During Tight Money

Taking all of these things into consideration we find that more and more industrial corporations are turning to sale leaseback as a source of funds, with every indication that they will do so in greater volume until the market turns, credit becomes easier, and the usual sources of money supply for them have been replenished. Even then, many will continue to make use of the technique because for them it turns into usable cash, an item of real estate that encumbers the balance sheet. As long as a manufacturing corporation undertakes to get the fullest use of its dollar, it will own as little real estate as its necessities require, especially when the same real estate can be retained for use and rented at a figure that justifies the transaction from the long range point of view.

It is my belief, from the many sale-leaseback transactions we have made, that the impetus given to sale-leaseback by the credit stringency will do more to establish it as a medium of normal financing operation than anything that could have happened. For manufacturers realize that they make profits out of the production and distribution of articles they make—not out of real estate. Real estate is a proper investment for those whose preference it is, and their point of view it not the same as the manufacturer. Altogether, I forecast a prosperous future for those who find increasing use of the technique both in Canada and the United States.

*An address by Mr. Glickman before the Montreal Real Estate Board, Montreal, Jan. 21, 1957.

Alfred J. Ward

Alfred J. Ward, formerly office manager and advertising head of Blair & Co. Inc., investment bankers, passed away Jan. 28 at his home, 4 Dartmouth Street, Forest Hills, after a prolonged illness.

Born in Chicago on Dec. 20, 1886, Mr. Ward was graduated from Northwestern University in 1910 with an LL.B. degree.

Mr. Ward was employed by the advertising departments of the "Chicago Tribune" and later of the "New York Evening Post," specializing in financial advertising.

In May, 1918, Mr. Ward joined the staff of E. H. Rollins & Sons, Incorporated, as Assistant Secretary in charge of sales correspondence and advertising, and in January, 1950, he became office Manager of Blair, Rollins & Co. Incorporated. He was in the employ of its successor firm, Blair & Co. Inc. until his retirement last year.

Surviving is his widow, Mrs. Alfred J. Ward.

Bankers on Ward Board

David Coleman and R. Parker Kuhn have been elected new directors of the Ward Baking Co.

Mr. Coleman is senior partner in the New York Stock Exchange firm of Coleman, Fagan & Co.

Mr. Kuhn, investment banker, was Vice-President, a director and member of the executive committee of The First Boston Corp. prior to his retirement in 1955.

Palmer, Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James L. Bounopane, Robert E. Goodman, John A. Gregoria and Francis N. Perry have joined the staff of Palmer, Pollacchi & Co. Inc., 16 State St.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of John J. Shea as a Vice-President of the **Chase Manhattan Bank, New York** was announced on Jan. 25 by George Champion, President. Mr. Shea is with the bank's trust department and was formerly an Assistant Vice-President. He joined the bank in 1924. Mr. Champion also announced the promotion of Walter H. Pecan, Trust Investment Officer, to Assistant Vice-President. Hugh R. Kirkpatrick has been appointed an Assistant Treasurer in the national territorial organization.

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The Chase Manhattan Bank, New York broke ground for its new skyscraper head office building at the corner of Nassau and Cedar Streets at 10 a.m., Monday, Jan. 28.

Walter F. Hough of Valley Stream, L. I. will be at the controls of a power shovel to start the excavation. Mr. Hough, who will soon complete 50 years with the bank, has the longest service record among 14,500 members of the staff.

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The appointment of John R. Frost as an Assistant Treasurer of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Frost joined Manufacturers Trust Company in 1941 after 18 years' banking operations experience with other banks. For the past five years he has been assigned to the Personnel Department and in 1956 he was appointed an Assistant Manager.

At present he is with the Domestic Department at the bank's main office, 55 Broad Street, and is assigned to the division which serves its business in the New England States.

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I. C. Raymond Atkin, a Vice-President and director of J. P. Morgan & Co., Incorporated, New York died on Jan. 25. His age was 65.

Mr. Atkin, whose home was in Short Hills, N. J. had been with **J. P. Morgan & Co., Incorporated** since 1925, when he came to New York to head the foreign exchange department. He was appointed a partner in 1939, and the next year, when the business was incorporated, he was elected a Vice-President and director.

Born in Springfield, Ont., Mr. Atkin started working for the **Traders Bank of Canada** upon completing his high school education. Later he joined the **Royal Bank of Canada in Montreal,** where he specialized in foreign exchange.

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Arthur S. Kleeman, President of **Colonial Trust Company, New York** announced the appointment of Louis W. Petersen as a Vice-President. Mr. Petersen, who is in charge of the bank's Midtown Office at Madison Ave. and 32nd Street, has been associated with the institution since 1946.

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John D. Butt, President of **The Seamen's Bank for Savings, New York,** announced the appointment of John H. Coontz, as Vice-President in charge of the Fifth Avenue office. Mr. Coontz was formerly Assistant Vice-President at the Main Office and has been with the bank 39 years.

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Effective Jan. 14 by a stock dividend **The Bensonhurst National Bank of Brooklyn, New York** increased its common capital stock from $600,000 to $750,000 (75,000 shares, par value $10).

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Hamburg Savings Bank of Brooklyn, N. Y. has announced the election of Adam G. Muller as Vice-President and Secretary and James A. Schaumburg as Vice-President and Controller.

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The common capital stock of the **Peninsula National Bank of Cedarhurst, New York** was increased from $900,000 to $922,500 by a stock dividend effective Jan. 16 (73,800 shares, par value $12.50).

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The common capital stock of **The First National Bank of Mount Vernon, New York** was increased from $750,000 to $1,000,000 by a stock dividend effective Jan. 14 (40,000 shares, par value $25).

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The Yorktown Heights office of **The County Trust Company, White Plains, N. Y.** moved on Jan. 26 to a location in the new shopping center next to the Yorktown High School on Saw Mill River Road. Thomas J. Dunnings, Assistant Treasurer of The County Trust Company, will remain in charge of the Yorktown Heights office with the same staff of employees.

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The common capital stock of **The First National Bank of Poughkeepsie, N. Y.** was increased from $880,000 to $924,000 by a stock dividend effective Jan. 15 (46,200 shares, par value $20).

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THE MASSENA BANKING AND TRUST COMPANY, MASSENA, N. Y.

	Dec. 31,'56	Dec. 31,'55
Total resources	$9,002,097	$7,583,000
Deposits	8,217,192	6,831,000
Cash and due from banks	1,129,592	1,399,000
U. S. Govt. security holdings	2,899,145	1,474,000
Loans & discounts	4,730,028	4,137,000
Undiv. profits and reserves	104,882	87,000

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The **First National Bank of Boston, Mass.** elected Erskine N. White a director.

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Harry B. Freeman has been named President of the **Rhode Island Hospital Trust Company, Providence, R. I.** succeeding Raymond H. Trott Jr. who has retired. Mr. Freeman was formerly Executive Vice-President.

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The Connecticut Bank and Trust Company, Hartford, Conn. established a branch on Jan. 14 at Bloomfield, Conn., to be known as Bloomfield Office.

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THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	Dec. 31,'56 $	Dec. 31,'55 $
Total resources	408,590,245	381,706,192
Deposits	373,458,132	347,981,301
Cash and due from banks	102,127,551	98,443,154
U. S. Govt. security holdings	89,412,322	76,277,663
Loans & discounts	166,677,689	152,051,214
Undivided profits	4,071,225	3,560,797

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THE STAMFORD TRUST COMPANY STAMFORD, CONN.

	Dec. 31,'56	Dec. 31,'55
Total resources	$67,065,882	$65,058,840
Deposits	61,809,105	59,646,911
Cash and due from banks	9,382,619	11,132,803
U. S. Govt. security holdings	18,089,436	20,369,040
Loans & discounts	32,908,229	27,239,622
Undivided profits	650,662	637,591

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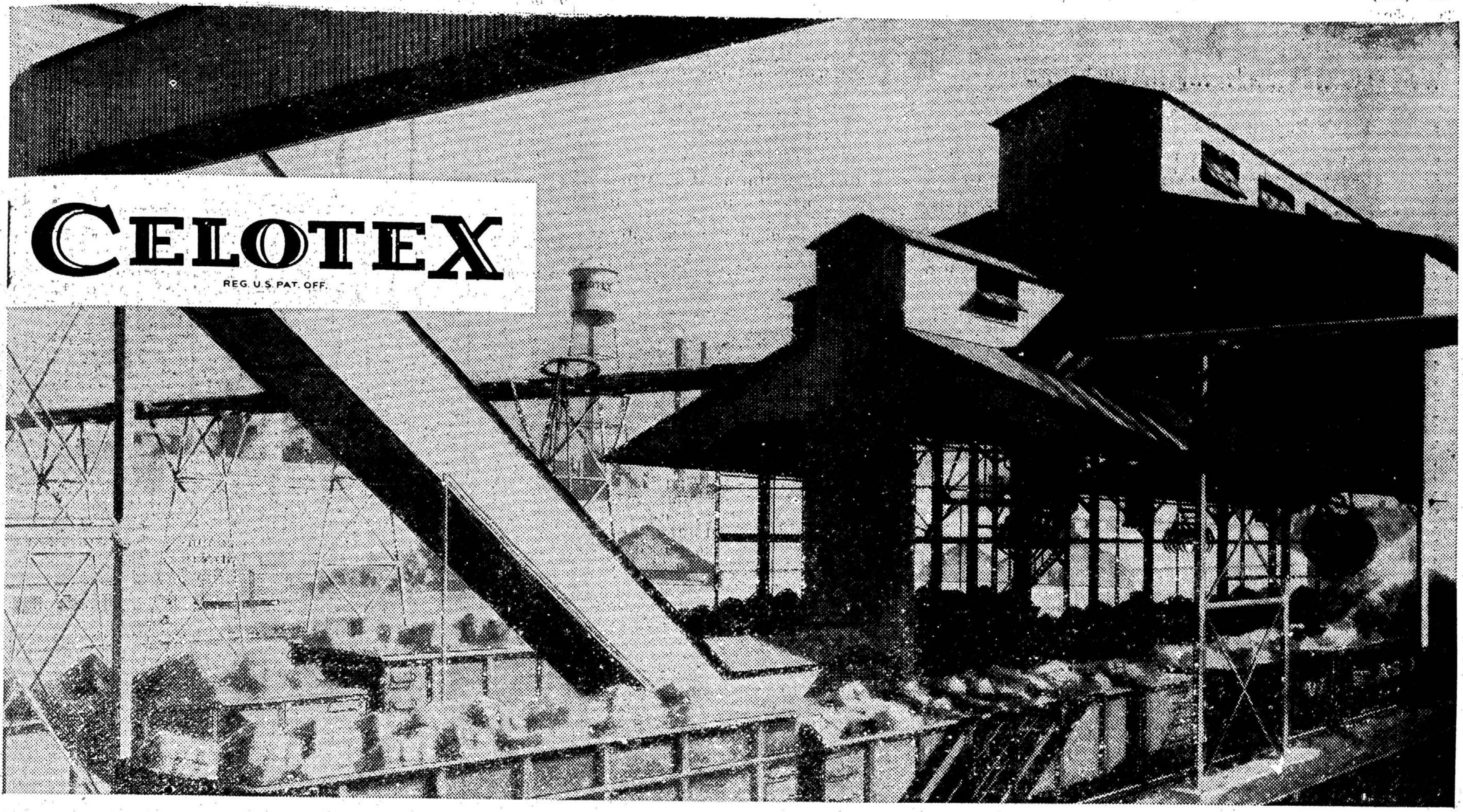
John A. Celentano and Joseph R. Weny were added on Jan. 23 to the board of directors of **First National Bank and Trust Company of Paterson, N. J.** The action took

Continued on page 53



1956—A RECORD SALES YEAR

Net sales in fiscal 1956 were up 7 per cent from those of 1955 and represented a new company record for the fourth consecutive year. Net earnings increased 16 per cent; after preferred dividends they were equal to $6.42 a share as against 1955 earnings of $5.49. Dividends of $2.40 a share were paid on common stock, up from $1.75 a share the year before.

Construction was begun on three new plants, at L'Anse, Michigan, Fort Dodge, Iowa, and Pittston, Pennsylvania. These additions will increase productive capacity in our established lines of insulating fiberboards, acoustical materials and gypsum products.

When in operation, our three new plants should enable us to better and more economically serve our customers and to further increase the profit potential of our company.

O. L. Mansell
PRESIDENT

COMPARATIVE STATEMENT OF INCOME

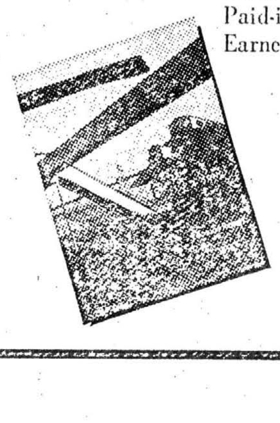
FOR THE YEARS ENDED OCTOBER 31,	1956	1955
NET SALES	$76,467,119	$71,136,590
COSTS AND EXPENSES:		
Cost of sales and selling and administrative expenses	62,059,542	57,958,129
Provision for depreciation and depletion	2,319,643	2,055,338
TOTAL COSTS AND EXPENSES	64,379,185	60,013,467
INCOME FROM OPERATIONS	12,087,934	11,093,123
OTHER INCOME (net)	(55,650)	13,520
INCOME BEFORE INCOME TAXES	12,032,284	11,106,643
PROVISION FOR INCOME TAXES	6,130,000	6,025,000
NET INCOME FOR THE YEAR	$ 5,902,284	$ 5,081,643

ASSETS

	AS OF OCTOBER 31, 1956
CURRENT ASSETS:	
Cash and U. S. Government securities	$20,312,590
Accounts receivable (net)	8,688,624
Inventories	6,702,255
TOTAL CURRENT ASSETS	35,703,469
PROPERTY, PLANT AND EQUIPMENT	57,493,958
Less: Accumulated depreciation and depletion	21,875,794
NET PROPERTY, PLANT AND EQUIPMENT	35,618,164
SECURITIES AND MISCELLANEOUS INVESTMENTS, ETC.	1,491,846
PREPAID EXPENSES AND DEFERRED CHARGES	852,892
TOTAL ASSETS	$73,666,371

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:	
Accounts payable	$ 3,639,506
Accrued expenses	1,859,248
Provision for taxes (less U. S. Treasury obligations)	781,754
Payments on long-term debt due within one year	950,000
TOTAL CURRENT LIABILITIES	7,230,508
LONG-TERM DEBT DUE AFTER ONE YEAR	23,300,000
DEFERRED FEDERAL INCOME TAXES	370,000
NET WORTH:	
Preferred stock	5,137,250
Common stock	878,651
Paid-in surplus	6,325,253
Earned surplus	30,424,709
TOTAL NET WORTH	42,765,863
TOTAL LIABILITIES AND NET WORTH	$73,666,371



Copies of our Annual Report for the fiscal year ended October 31, 1956, are available upon request. Write to Secretary, The Celotex Corporation, 120 South La Salle Street, Chicago 3, Illinois.

Canada's Business and Financial Leaders Speak After Turn of the Year

Continued from first page

close to the greatly expanded programs of 1956. Steadily mounting requirements for schools, local improvements and the like will scarcely permit any let-up in institutional and government construction. Of all the major investment sectors, residential building is the only one likely to show a significant decline.

The 1957 program, therefore, will have its heaviest impact in equipment industries and heavy construction. In these fields availability of structural steel and plate may continue to cause delays in the implementation of investment plans.

The Middle East crisis and other recent international events have introduced new elements of uncertainty into the world trade situation, the effects of which are not now discernible. Apart from these influences, the pressure of world demand on Canada's principal export materials is not presently as strong as a year ago. Nevertheless foreign markets for these commodities, with one or two exceptions, remain reasonably firm. In addition, expanded capacity in export industries will increase the volume of supplies available. The diversion of large quantities of Western Hemisphere oil to Europe will entail a further substantial rise in Canada's exports of petroleum, although distribution facilities will limit the extent of this movement. In addition much larger quantities of uranium concentrates will be moving into export channels during the coming year. More moderate increases will probably be realized in sales of a number of other commodities. Given sustained prosperity in the United States, total exports will continue at a high level.

Consumer trades also can look forward to a busy year. Rising real incomes will probably bring a further expansion in sales. Even with the steady increase in personal consumption in Canada, capacity in consumer industries is under no strain. This factor together with the ready availability of foreign goods will mean that business in consumer lines, while rising in volume, will remain keenly competitive.

The indications are that overall demand will remain strong in 1957. Toward the end of the year pressure from new investment may ease, as some of the larger expansion projects now underway approach completion. Meanwhile the likelihood of an increased influx of immigrants will help to fill deficiencies in the supply of labor. The current economic upswing, though now in its third year, gives no indication of general vulnerability. Inventories have increased but not out of line with final demands. Speculative tendencies have been restrained and prices have increased but moderately. Shifts in market demands will continue to cause ups and downs in some industries, but these are not likely to affect the underlying surge toward ever-widening economic horizons.

RAY ALTHOUSE

President, Royalite Oil Company, Limited

In forecasting the future trend of crude oil, natural gas and liquid hydrocarbon production in Canada, we must consider that vast areas of sedimentary deposits presently are not explored. For this reason the finding and development of petroleum and related products, particularly in the Western Canadian region, are certain to be attractive to firms engaged in the search for energy sources to supply our future. The density of test well and development drilling in Canada is only a fraction of the work effort to date carried on in some other areas that are similarly prospective. This outlook provides impetus for industry to incur substantial capital expenditures for production, transportation, refinery and distribution improvements and expansion during this and future years. Canada is the second largest per capita consumer of petroleum in the world and this business is experiencing exceptional growth. A high level of employment should be assured.

Expenditures for highways and secondary roads by Federal, Provincial and Municipal Governments of Canada, coupled with increasing population and automobile registration, is focusing attention on the increasing demand for petroleum products.

The construction of the Trans-Canada gas pipeline to Eastern Canada will be an important factor in stimulating drilling activity and the search for additional gas reserves as will the completion of the Westcoast Gas Transmission line to Vancouver and other Western areas.

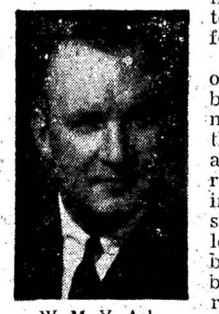
The political and financial stability of the country will continue to attract an increasing amount of capital for investment in the oil and gas industry, both from domestic and foreign sources. The strategic value of Canada's oil, gas and other sources of energy and raw materials adds to the prospective growth.

We are optimistic as to the future of oil and gas development in Canada and can foresee a continuation of the high level of activity during 1957.

W. M. V. ASH

President, Shell Oil Company of Canada, Limited

While 1956 was another record year for the Canadian economy, supply and demand have been such that prices generally have edged forward for the first time since 1954. Nothing in our economic situation, or the international situation, gives any reason to foresee a reversal of this trend for some time to come.



W. M. V. Ash

The demand for Canadian crude oil and petroleum products has never been higher and will be higher still next year. The purchasing power of the Canadian citizen continues to advance steadily. In spite of credit restrictions, the pressure of demand in most fields of retail sales is stronger than ever with no signs of lessening. Basic steel has seldom been in shorter supply and this may be further compounded by a lively renewal in Canadian shipbuilding. Automobile sales seem pointed for record highs. Just as Canada's first great industrial surge forward in the 1850's was characterized by the construction of some 2,000 miles of railroad in 10 years, so her present industrial revolution has been marked by the construction of 4,000 miles of oil pipe lines in the last five years with a further 3,000 miles of gas line now under construction—7,000 miles of trunk pipe line in seven years! 1957 pipe line construction will be more active than ever with major extensions announced for Trans Mountain and Interprovincial oil lines, plus the two great trunk gas lines, Westcoast Transmission and Trans-Canada.

Crude oil production having exceeded all expectations in 1956 at approximately 470,000 barrels daily by the end of the year, bids fair to come close to the 600,000 barrel daily mark in the coming year. Refineries are being expanded in almost all areas and new ventures into petrochemicals are certain.

All in all there can be no doubt about the continued dynamism of Canadian industry—and not least the oil and gas industries. This we have almost come to take for granted. What will need more effort than ever is preservation of a balance between such dynamism and the national cost of production.

A. C. ASHFORTH

President, The Toronto-Dominion Bank

Provided we do not encounter more serious international disturbances than those which have already materialized, the year 1957 should be one of continued economic expansion in Canada. The banks should certainly share in the ensuing prosperity, though the very vigor of the expansion will face them with challenging problems.

A. C. Ashforth

We may begin by noting that we are in the midst of a tremendous surge of economic growth. Canada's Gross National Product in real terms has increased by 50% in the postwar decade; in 1956, alone, it increased by perhaps 7%. Fixed capital formation is currently running at about 25% of Gross National Production. Furthermore there is every evidence that these conditions are continuing into 1957. Capital formation will apparently remain at a high level as new projects are added to the carry-forward of previous projects not completed in 1956. Consumption expenditures are being well maintained. Incomes continue to rise. The prospect is that Canada will continue to push against the limites of physical resources in 1957.

The outlook for general prosperity, with output approximating the ceiling of productive capacity, clearly implies that the banks will continue to find themselves under pressure to meet the credit needs of their customers and at the same time to help hold the line against the threat of inflation. Look at what these pressures produced in 1956: the new so-called liquidity ratio, first proposed late in 1955, became fully effective and required the banks to hold a stipulated amount of short-term Treasury Bills or the equivalent in addition to statutory cash reserves; the new technique of a floating Bank of Canada discount rate appeared, fixed at 0.25 percentage points above the latest Treasury Bill tender rate; monetary policy kept the currency and deposit holdings of the public to a very modest increase; bank loans (including mortgage loans) rose about 14% but bank holdings of Government securities (excluding Treasury Bills) fell by a third; and interest rates rose to levels not seen for nearly a generation.

For 1957, then, Canadian banking can look forward to a continuation of the same situation as in 1956 unless the boom falters, which does not yet seem imminent. Bank deposits will not likely rise to any great extent. Bond yields and interest rates generally will probably continue high and may go higher, though rates charged by banks cannot rise much further because of the statutory ceiling of 6%. Money will likely remain tight throughout the year. The Bank of Canada may well explore still other new refinements of monetary policy. Burdensome as these conditions are on borrowers, however, they are a small price to pay for the prosperity that makes them necessary.

GORDON R. BALL

President, Bank of Montreal

The past year witnessed the unabated persistence of the strong demands on the Canadian economy that had marked the year 1955, and gave rise to inflationary pressures that were met by official monetary restraint of unprecedented severity.

Gordon Reginald Ball

The pattern of monetary policy in Canada was in many respects similar to that in the United States. The central bank permitted virtually no increase in the money supply during 1956. As a result, the chartered banks' total Canadian deposits increased by less than 1%. From the beginning of the year until early June, an expansion of the banks' general commercial loans at an average rate of about $20 million per week—a rate as rapid as had marked the preceding year—was financed by substantial sale of Government of Canada securities, excluding Treasury Bills. Thus the banks, accepting a significant penalty in selling securities at a time of declining bond prices, did much to meet the legitimate credit requirements of a growing volume of business activity. Since mid-1956, general bank loans outstanding have changed comparatively little and net sales of securities by the banks, while continuing, have been more gradual.

The demand for funds to finance the country's record capital expenditure program, as well as to meet the day-to-day requirements of a steadily growing volume of business, clearly exceeded the supply of funds forthcoming from savings, for interest rates rose significantly during the year.

The portents for 1957 seem to point to a continued high level of capital investment, except in the form of new housing, and to a further strong demand for goods and services generally. If this proves to be the case, it is only reasonable to expect that the official policy of monetary restraint will be prolonged. In such circumstances, the chartered banks have comparatively little leeway to shift their resources from securities to loans on the scale that was possible in late 1955 and early 1956. While it is to be hoped that the volume of saving will be enlarged, it may still be no more than sufficient to meet the longer term financial needs of the economy and it would seem a reasonable expectation that interest rates may remain high in the immediate future, or as long as current conditions obtain.

In summary, while money forthcoming from banks and securities markets may remain tight, business activity promises to continue buoyant, with higher levels of production, employment and income in prospect and with further price inflation, if not eliminated, at least held to moderate proportions.

M. S. BERINGER

President, The British American Oil Co., Ltd.

The new year will see Canada's oil industry again attain new peaks in most phases of activity—both in the primary categories and the secondary phases. It will be a good year for production, with an estimated increase in crude oil production of 90,000 bbls. daily to an average of about 545,000 bbls. daily. Largely responsible for this will be the growing importance of the Pacific Coast markets, including California refineries, for exported Canadian crude, and the outlets created for production in southeastern and southwestern Saskatchewan. Exploration activity will be increased and continues to reflect not only the need for domestic crude oil in the enlarging energy picture of Canada but also the increased international stature of Canada as an oil nation in a world of crisis.

M. S. Beringer

The problem of the gap between producibility of crude oil and markets for it will be of concern to the industry, but this again will provide incentive for new markets.

In 1956 the Westcoast Transmission natural gas line was two-thirds completed to the Pacific coast and, with its completion by the fall of 1957, it is expected that gas will start moving from the Peace River block. The Trans-Canada gas line, which made a start on the first leg of the line this year, will make further progress, comprising the finish of the 34-inch section to Winnipeg and the start of the 30-inch section across northern Ontario. The Trans-Canada, the Interprovincial pipe line extension, to bring Prairie crude oil directly to the Toronto refinery area, and other pipe line construction, could result in over 3,000 miles of new-laid pipe during 1957.

Canada's refinery throughput capacity will be raised to an estimated 750,000 bbls. daily to match an increase in the neighborhood of 15% in product demand, and the industry program for product quality improvement will be further advanced.

Capital expenditures by the industry may be expected to show an increase over 1956, when an estimated $1.5 million a day was spent on combined exploration, de-

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Canadian Construction and Capital Formation Outlook

territory, and Canadian Governments (both Federal and Provincial) engaged in major construction projects — the Canadian Pacific Railway, the canals, the opening of eastern and western communications, the wheat elevators, the roads.

That phase may never quite end. We are still building seaways, roads and railways and causeways — and pipelines! But superimposed on it is another — the one that characterizes this part of the 20th century—the process of filling in and filling out the master framework laid down years ago. This is more complex, and your industry reflects this new complexity. It is the developing of resources on the frontier and expanding the secondary industries, and building and rebuilding the cities, the works, the institutions of the future. This you are now doing on a unique scale; this is the essence of the present phase of construction.

This is obviously a more complex way of life. To build a railroad you have to be a good engineer. But to build beautiful towns and cities, with all they contain, requires more than engineering. Such works have to embody human expression; they are an integral part of our way of life; they are all around us and our children, and they last for a long time. They are the very environment of our people—they are Canada, or at least that part of Canada made by Canadians and not by nature herself. And they have to be worthy, as well as efficient, to connote some essence of the future, as well as the traditions of the past.

To realize this is to appreciate the significance of your industry. Your members are at work in all parts of the nation, under all conditions. Your influence, your experience, your judgment all carry weight in Canadian affairs — in the affairs of other industries and in the affairs of governments. Your position in the nation, your work with all other industries, with governments, with the dynamic forces that enable us all to progress, the techniques of our economy and the aspirations of our communities, lay on you a public as well as a business responsibility. But here too I think history will reveal itself as a continuous process. The partnership between governments and construction that prevailed in our early history, will continue to prevail, and the history of this great period of Canadian development will, in later perspective, be seen as part of the continuous process of fruitful relations between government and industry.

Export Industries

Economic development and growth have been setting the pace and the pattern in our country during the past decade. This development has extended over a wide range of industries, and into all parts of our country. It has been particularly strong in our great export industries founded upon our natural resources. In response to the demands of markets abroad, these industries have added repeatedly to their plant and equipment, extending and improving their capacity as well as venturing into new fields. Our forest wealth has been exploited more fully, effectively and carefully than before, to make possible a great expansion in our ability to produce paper, pulp, lumber and other cellulose products. Our fisheries too have been expanded and modernized. The mining and treatment of base metal ores have expanded by leaps and bounds, under the stimulus of good prices and with the aid of new techniques of exploration and prospecting and metallurgy. A huge new industry is now under construction to mine and recover uranium, of which we are now becoming the greatest exporting nation in the world, currently for defense purposes, and later, we expect, to provide fuel for power plants in many parts of the world. The discovery and exploitation of the oil and gas resources of the western provinces has become a major industry requiring great capital expenditures in itself and in related industries. Never have Canadians been so conscious of nature's bounty to them, nor so intensely busy in making the most of it.

Sparked by the prosperity of our export industries, expansion has spread to manufacturing industry of many kinds, despite competition from abroad, and to transportation, to the power industry, and the multitude of other businesses that provide services and materials both for export and the consumer.

Public Services and Population Growth

Along with this has had to go the growth of our communities themselves — new towns on the frontiers, like Kitimat, Elliot Lake, Labrieville — big cities expanding with almost explosive force like Vancouver and Toronto — and many smaller cities and towns forging ahead with increasing momentum. Not only has our population been growing and therefore requiring additional houses, but people have been moving from rural to urban communities where they, too, need new homes. Higher levels of income have stimulated the demand for better houses. With these houses are needed community facilities — roads, water and sewer services, schools, hospitals and other public institutions.

In this process of growth and development governments have been involved as well as business. Prosperous, expanding communities expect and demand and, in their eyes, need more of the services and facilities which are provided by public bodies. While there may be difficulties and complaints about the cost, in the last analysis the public has proven willing to pay for what it has been demanding. All governments have had to incur large expenditures for public works and other capital requirements for development.

I have heard a good deal about the role and the needs of local and provincial governments in this field, and my colleagues and I have had to bear it in mind in recommending to Parliament the financial arrangements to be made with provincial governments.

The Federal Government has participated in many ways in this development — ranging from the surveys and research that help to open up resources and find new processes to the provision of normal Federal services and facilities in the new and expanding communities. Some of our own major projects have been part of the basic development — the Seaway, the Trans-Canada Highway, the development of a modern system of airports and airways. We have a wide range of normal public works that help to provide, along with those of provinces and municipalities, the framework within which private enterprise can act efficiently in meeting the changing and growing demands of a free society.

Proportionately Higher Capital Expenditures

In the past year Canada's general economic situation has been greatly affected by the record pace of our development, by the extraordinary level reached by expenditures on construction and other capital projects of the various types to which I have referred. These total capital expenditures last year are estimated to have been about $7¾ billion,

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velopment and transportation programs alone in the country. This record could be exceeded in 1957. Increases in raw materials and other cost factors would be reflected in increased prices for products.

Examining the various features of the industry anticipated for 1957, and also having a sober regard to the international situation, the year should bring some important benefits for Canadian oil.

HOWARD BUTCHER, III

President, International Utilities Corp.

It seems to us that the outlook for our public utility operations in Alberta, Canada, has never been brighter than it is right now. This is tempered somewhat by the effect of tight money conditions on ability to finance expansion programs at reasonable costs.


Howard Butcher, III

Construction is well under way on the two major pipe line projects to market the huge natural gas reserves in the Province. The anticipated early completion of its financing program will enable Trans-Canada Pipe Lines to bring Alberta gas to Toronto and Montreal over the world's longest natural gas pipe line. With the all-Canadian line assured, it seems inevitable that the big potential market in the Midwestern United States will soon open up for Canadian gas.

The Suez Canal crisis has shown that the United States must look to Western Canada for increasingly large proportions of its oil, gas and other fuel requirements. Also, Canada is expected soon to be the world's largest producer of uranium. Improved transportation should gradually spur the development of many other mineral resources in the northern territory. Edmonton, Alberta is the principal supply center for much of this area.

Although we have a substantial investment in Trans-Canada, our main concern is what it will do for Alberta. Our primary interest is the development of our natural gas and electric distribution systems. Our natural gas system is the largest of its kind in Canada and probably distributes more gas than all other Canadian companies combined. The opening up of new markets should greatly stimulate the whole economy of our service area. Many new industries will be attracted to Alberta. Its surprisingly temperate climate, the scenic beauty of its Rocky Mountain resorts and many other natural advantages will be more fully exploited.

The export of gas will require large expenditures on gas fields, gathering systems and plants for stripping by-products from gas. All this means more population, more gas and electric customers and expanding capital improvements and extensions to our System. Its total assets have more than tripled within the past nine years and we must be prepared for such growth to continue.

Our industry, even more than most others, is faced with the problem of raising large amounts of new capital at a time when money is in short supply. However, we recognize that inflation can also be a threat to public utilities. Increased costs resulting therefrom can only gradually be offset by increases in the price of utility services.

The rising cost of money may not continue at its present high level. It seems obvious, however, that a considerably higher over-all cost of money is here to stay. This may result in the need for a higher allowable rate of return on the capital of public utilities. This also means higher prices to the customer but unless the rate of return is adequate, we cannot expect the investor to buy our securities in competition with those of other industries.

Our natural gas companies are in an unusually favorable position if it should be necessary to ask for an increase in rates. Our gas rates are among the lowest in the world. Almost all of our customers heat their homes with gas. In spite of the relatively cold climate, their average cost for house heating, water heating, cooking, refrigeration and all other purposes is only about $7.00 per month.

A. F. CAMPO

President, Canadian Petrofina Limited

Nineteen Fifty-six has been an outstanding year for the Canadian economy in general. Our national production increased by about 11% from 1955 to reach a total of $29.5 billion for the year—a percentage gain considerably larger than that recorded in the United States.


A. F. Campo

This increase, however, reflected not only an actual expansion in physical output, but, to some degree, also the upward trend of prices. Monetary measures, necessitated by this development, continued to reduce the availability and increase the cost of credit during the past year.

The strongest stimulating force behind our economic growth in 1956 was, undoubtedly, the large capital investment program which resulted in a record spending of $7.5 billion on new plant, equipment and housing. Continuing the pattern of the postwar period, a heavy flow of foreign capital, largely from U. S. sources, helped to finance Canada's increasingly adverse balance of trade and maintain the value of the Canadian dollar at a premium over its U. S. counterpart.

These were, in brief, the economic highlights of the past year.

Looking to 1957, we can expect further advances in most sectors of our economy, even though the over-all rate of expansion is likely to level off gradually and minor adjustments will occur in some industries. Indications are that capital outlays, in spite of a shortage of new investment funds, and high interest rates, will exceed last year's figures by a fair margin, particularly in the mining, steel manufacturing and utilities section. With the outlook for consumer spending and exports continuing bright, employment and production should generally remain high.

The Canadian petroleum industry may also look forward to another very good year. Domestic demand for petroleum products which has shown a better than 10% average increase during the last five years, will probably register a similar gain in 1957 over last year's total of about 260 million barrels. Higher costs of raw materials and labor will, as they affect the industry's operations, bring about higher product prices.

Expansion in every phase of activity will require considerable additions to existing marketing, refining and transportation facilities, but by far the greatest portion of available investment funds will go into crude oil exploration and production in Western Canada. The export market for Canadian crude has expanded substantially in the United States and this trend is expected to continue in 1957 when production may average 530,000 barrels per day. But even at this rate of growth, crude producibility—strongly increased by last year's very successful drilling program—is in excess of actual demand.

Significant developments are also anticipated in our natural gas industry, as two major pipeline projects will open up large markets for shut-in production.

The Suez crisis has, more than anything else, brought out Canada's significance as a potential major supplier of oil and the long-term prospects of our industry are exceptionally encouraging in the light of recent events.

R. C. BERKINSHAW

President and General Manager, The Goodyear Tire & Rubber Co. of Canada, Ltd.

The Canadian rubber industry's outlook is, of course, intimately connected with the progress of the automotive industry. Forecasts from leaders in this field predict the high sales volume of new cars. These forecasts, however, also reflect concern arising from the inflationary factors in our economy and the possibilities that the presently applied curbs might adversely affect the new car sales, so that the total volume may be lower than could normally be expected in a sound growth pattern.


R. C. Berkinshaw

We have confidence in the soundness and potential development of the Canadian economy and believe that if the growth of inflation can be curtailed by the application of good sense on the part of all who are vitally concerned—governments, management, labor and the purchasing public—our true volume of sales will continue to rise in proportion to the demands of the market and our steadily increasing capacity to produce.

An increasingly significant part of Goodyear's business in Canada is as a supplier of hose, transmission and conveyor belting and other industrial rubber products to the primary or extractive industries. Business forecasts for the forest, mining and oil and gas industries are all optimistic. In addition, farm income has shown a favorable increase during 1956.

Taking all these elements into account, we expect a continuation of the present level of relatively full employment in this country, with a slight upward trend in prices and costs, and further, confidently believe that 1957 will be marked by a steady growth in the Canadian economy which will be reflected in the continued progress and development of our company's operations.

C. GORDON COCKSHUTT

President, Cockshutt Farm Equipment Limited

Some progress was made in the implement business in 1956 in increased sales and profits.

Our customers are farmers, and their financial position in 1957 will probably be comparable to 1956.


C. Gordon Cockshutt

We expect that implement sales will not fluctuate. The price level to the farmer will curtail his purchases of equipment if prices rise materially. The general industrial index of raw materials and the discussion of wage contracts would lead one to expect a further rise in costs and prices. If this occurs, implement prices will have to be increased, and it is likely that it will have a detrimental effect on sales volume.

The discount on the American dollar presently prevailing is a decided handicap against the export business. From an exporter's standpoint, action that would equalize our exchange rate would assist the present difficult position. Employment should continue on

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compared with $6¼ billion the previous year, and equal to about a quarter of our total output of all kinds, our gross national product. This total of capital expenditures is proportionately much greater than that in the United States, and I suppose probably much greater than that in any other country, including those working under forced draft of communist programs. In order to achieve it, not only was a high over-all level of employment necessary, but workers were diverted away from agriculture and other industries, and a huge volume of materials and equipment were imported, leading to a large excess of imports over our total exports.

This high level of capital expenditures in recent years has been made possible by a very high level of savings. The money that is paid to your industry, for example, must come directly or indirectly, from somebody's savings, either accumulated by those who spend it, or borrowed from others. We have been fortunate in obtaining this extraordinary level of savings. A large part of it has come from the personal saving of individuals in Canada, which has been at a high rate due to a variety of factors. The increase in incomes since the war had given people a greater ability to save and perhaps a greater inclination. The saving habits created during the war have helped. The widespread use of life insurance has been an important factor in promoting savings and gathering together the savings of many individuals and making them available for effective use. The growth of pension funds is a major new influence. And finally, of course, the banks in Canada play a great part in channelling the savings of millions of individuals into investment. All of these institutions must be recognized as great allies of your industry.

Another very large part of the savings has come from businesses plowing back a large share of their earnings into capital expenditures. In part the savings have come through government channels. The large budgetary surpluses which the Federal Government has had from time to time in the past decade have added to the supply of savings. Some have been used for financing the capital expenditures of Crown companies. The main part has been used to repay government debt and thus place funds at the disposal of investment institutions and individuals where it is normally re-invested like any new savings, in meeting the demands of those who are borrowing to finance capital projects.

Part of our savings has come from abroad. The confidence of foreigners, mainly of course Americans and Europeans, in Canada's economy and its future has made them willing and, indeed, eager to invest their money here. These funds from abroad have made it possible to obtain that surplus of imports over exports which was essential if Canada was to carry on a development program at the pace achieved in recent years.

Capital Demands and Price Inflation

In the past year, the huge scale of our capital expenditures has tended to out-run the supply of savings available to finance them, even including the savings obtainable abroad. As a consequence there has been a keen competition for those savings, a competition for funds in the capital market. This competition for funds has quite naturally given rise to higher interest rates. It has also been reflected in increased difficulties for individuals in borrowing from banks and other institutions, or in securing the necessary underwriting to sell securities in the market. These difficulties are a reflection of the tremendous demands for funds arising from our economic development and other capital expenditure requirements. They are symptoms of health and economic strength not of weakness; evidence that competition is at work, not that it is being interfered with.

This competition for capital funds has been accompanied, as one might expect, by keen competition for goods and services, for materials, equipment and labor. There have been shortages of some materials, particularly certain types of steel and some other metals, and shortages of various types of skilled labor. Moreover, the costs and prices of other things which have not appeared to be in short supply have had to rise in order that the industries producing them could themselves secure the labor and materials to meet the demands upon them. As a result, the general level of prices has been edging up. This has been reflected in the various indexes of prices, and notably in that one of which most Canadians are particularly conscious, that of consumer prices. It is evident that we have been confronted with inflationary tendencies, which come quite naturally when an economic system is working at full stretch, such as that in Canada last year.

Explains Interest Rate Rise

In circumstances such as this, careful judgment and caution have had to be exercised in adding to the quantity of money outstanding. A larger increase in the quantity of money than that which occurred would have added to the supply of capital funds but it would not have added to the supply of goods and services and therefore it would have increased the inflationary tendencies.

The Government and the Bank of Canada took the view that the quantity of money should not be increased in a manner and to a degree that would strengthen significantly the inflationary tendencies. Inflation is unjust. It works hardship on many, and particularly upon those who can least afford it. It leads frequently and sometimes quickly to a reversal of the tendencies that bring it about, to disruption of economic development and to unemployment.

For these reasons market forces have had to be allowed to bring about a rise in interest rates and thus determine which of the many competing demands for capital, that is for savings, would be satisfied under conditions of full em-

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at least 1956 levels, provided our estimate of 1957 sales are realistic.

N. R. CRUMP

President, Canadian Pacific Railway Company

The national economy in 1956 was stimulated by unprecedented capital outlays for plant and equipment by domestic business and industry as well as foreign investors, who thereby reaffirmed in spectacular fashion their faith in Canada's future.

N. R. Crump

This unparalleled level of investment, together with a continued rise in consumer expenditure throughout 1956, have combined to transform the inflationary potential already apparent late in 1955 into a disquieting reality. The conclusion that this is so is inescapable in view of the fact that a third or more of the anticipated 10% advance in Gross National Product for 1956 may be expected to represent higher costs of production in contrast with 1955 when the advance in GNP reflected almost exclusively an increase in the physical volume of production. Part of the rise in production costs is attributable to higher material prices. An even more significant factor in rising production costs, however, has been labor income, a substantial proportion of the increase in which reflects the initial cost of wage settlements concluded during the year.

The restraining influence of monetary policy has been a stabilizing factor of great importance in the Canadian economy in 1956. Also making for stability has been the increase in savings. Technological advance, making possible greater productivity without a corresponding increase in costs, has also been a factor in limiting the effect of inflationary pressure. The record-breaking inflow of imports from abroad has also served to offset to some extent inflationary pressures evident during the year, although the magnitude of Canada's trade deficit, particularly with the United States, remains a matter of justifiable concern.

The high level of business and industrial activity throughout 1956 has maintained prosperity in almost all segments of the economy. In contrast with 1955, when mining and residential construction were the pacesetters, manufacturing industries, both primary and secondary, with a few notable exceptions, have been in the vanguard of economic advance in 1956. Agriculture, too, has shared in the gains recorded, and farm income promises to reach the highest level since 1951.

The railways, however, have not been sharing in this general prosperity of the Canadian economy. Traffic volume has been high, but the net financial returns have been low. The return to Canadian Pacific on net railway investment in 1956 will be only about 3.2%. This is substantially less than earnings in other industries, and even less than the current return available to the investor in many issues of Dominion of Canada bonds—a completely risk free security.

So inadequate a return on rail investment, despite the substantial increase in the demand for essential rail transport which has occurred in 1956, is compelling evidence of the need for relaxation of outmoded regulation so necessary if the railway industry is to meet increasing competition and provide the transportation services required of it in a rapidly expanding economy. It also lends a sense of urgency to the efforts of Canadian Pacific to avail itself without hindrance of the advantages of technological change, in a manner consistent with its obligations to the public and to its own employees.

Confident that these objectives will be accorded public recognition, Canadian Pacific, which marked its 75th birthday in 1956, continued its program of modernization and expansion in the realms of transportation on land, at sea and in the air. This program was highlighted by the entry into service of the 25,500-ton Empress of Britain, flagship of the Canadian Pacific fleet; the commencement of construction of a $10 million addition to the Royal York Hotel; the signing of a contract for a new office building at Vancouver which will serve as the center for Canadian Pacific Air Lines' $20 million Bristol Britannia expansion program and by the addition of new diesel locomotive units and rail diesel cars.

Continuing the company's dieselization program begun in 1943, 115 new diesel units were put into service during the year. This brings to 670 the number of diesel units in service, a considerable stride in the company's plan to attain complete dieselization by 1961.

Additional "Dayliners"—high speed, self-propelled rail diesel cars—were also introduced. These popular units went into operation in Nova Scotia on the Dominion Atlantic Railway, a subsidiary of the Canadian Pacific. They also made their appearance on the Montreal-Boston run, marking their first entry into the Canadian Pacific's international service. Similarly, diesel cars have been placed on the Montreal-Sutton, Moose Jaw-Calgary, Sudbury-Fort William and Toronto-Owen Sound runs. A total of 31 of these units is now in service and an additional 11 for delivery in 1957 are on order. They have proven extremely popular on passenger runs in eight provinces and are expected to play a continuing role in Canadian Pacific operations from coast to coast.

Some 4,000 freight cars were added to the company's inventory during the year.

The integrated data processing program for streamlining accounting and other railway paper work, which was begun in 1955, is going forward and rapid conversion from traditional procedures, affecting nearly all departments, is taking place. The physical installation at headquarters of the large electronic computer, equipped with memory core, is now in progress. Operation on an expanding scale will be effected early in 1957.

The first deliveries of new yard office and freight office equipment for the automatic recording of source data, which were designed to Canadian Pacific specifications and are the first of their kind in use anywhere, have been received and are being put into operation under the new procedures, office by office, as deliveries are made. The extensive communication network which links the I.D.P. system together is nearing completion.

The 25,500-ton Empress of Britain entered service in April of 1956 and completed 12 trans-Atlantic crossings during the year. The ship accommodates 150 first class passengers and 896 tourists and can carry 5,000 tons of general and refrigerated cargo.

Newest addition to the Canadian Pacific fleet, the Empress of England, was launched on May 9 by Lady Eden at Newcastle-on-Tyne. This sister ship of the Empress of Britain will sail from Liverpool in April, 1957, on her maiden voyage and will provide the fleet with an increase of approximately 12,000 berths each way for the St. Lawrence route 1957 season.

There still remains to be replaced the well known Empress of Scotland, which is presently in North Atlantic and cruise service, and which will reach retirement age in about five years. Active consideration is being given to construction for this purpose of a third new ship, which will probably be of greater tonnage than either the "Britain" or the "England" and the design and appointments suited to cruise requirements as well as North Atlantic service.

The extension to the Royal York Hotel in Toronto costing some $10 million has been started. This extension will bring the capacity of the Royal York to approximately 1,600 rooms making it still the largest hotel in the British Commonwealth. Completion of the new wing is expected by December, 1958. In addition, arrangements have been made for the construction by the company of a reinforced concrete, 400-car space, seven-floor (open deck) parking building immediately adjacent to, and for use primarliy in connection with, the Royal York Hotel.

Canadian Pacific Air Lines, now with the seventh largest route pattern in the world, undertook a $20 million expansion program during 1956 designed to bring a fleet of long-range Bristol Britannia turbo-prop aircraft into service. The C. P. A. L. expansion program began with signing of a $375,000 contract for a new office building at Vancouver International Airport. The new center for C. P. A. L.'s five-continent flying operation will be completed early in 1957.

Extension of the Latin American service from Lima, Peru, to Buenos Aires, the Argentine capital, was a highlight of the air line's operations. Frequency has since been increased to twice weekly on this run.

During the past year, Canadian Pacific Air Lines placed orders for 12 more DC-6B Empress airliners. Four of these were delivered in 1956, four are scheduled for 1957 delivery, and the remaining four will be in operation during the summer of 1958.

When the first of five Britannias is delivered in 1957, the company will own the largest and fastest commercial passenger aircraft in the world. Meanwhile, traffic on the trans-Polar route between Vancouver and Amsterdam showed such increases in 1956 that a second weekly flight was added in April, and a third flight was operated for the summer traffic peak. These flights from Vancouver are linked directly with the South Pacific service, one terminating in Sydney, Australia, and the other in Auckland, N. Z. Flights between Vancouver and Honolulu will be boosted from two to five flights weekly for this winter's tourist season, and service between Toronto and Mexico City, inaugurated in November, 1955, had grown from one to three flights weekly by November, 1956, and likely will be increased in light of favorable traffic potential.

An international teleprinter exchange service from Canada to over 30 countries was completed during 1956 as a joint project with the Canadian National. This service has experienced phenomenal development in other countries since the end of World War II. It will offer a speedy and economical means of international communications which will be most helpful to Canada's world trade.

These and many other improvements and additions to its services are expected to aid the Canadian Pacific in maintaining its position in the highly competitive world of transportation, and give force to the company's determination to keep abreast of all developments and technological advances of benefit to its progress and in the country's interest.

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ployment. At this same time, the government was following a budgetary policy such that when the gross national product exceeded expectations, a substantial surplus was accumulated by the Federal treasury and which was used to redeem debt. As at similar times of boom in the past decade, the government has also endeavored to defer those public construction projects which could be deferred, and thereby leave available more materials and labor for private projects. The amount that can be deferred in this way is limited at a time when government projects have to perform their necessary role in the process of this rapid economic development I have described.

The shortage of savings and the consequent rise of interest rates has brought particular concern, I know, to some of you in connection with housing. In recent years the building of houses has expanded very greatly, reaching such a high level that in the two past years taken together, about a quarter of a million dwelling units have been constructed, enabling us to improve substantially the general balance between the number of houses and the number of families needing them. This high level of housing in the last two years enjoyed a particularly favorable financial background, as the banks had just entered the mortgage market, as a result of the new legislation, and were building up their initial holdings of mortgages, while the insurance companies were still completing the building up of their mortgage portfolio from its post-war low to a proportion of their assets which they considered normal, a figure that some feel they have now reached.

Decline in Housing Starts

The competition for funds in the past six months has had a serious effect upon the mortgage market; from being in the lucky position I have described, the position of the borrower on a mortgage has now changed to one where he must compete with many large borrowers, willing to pay as much interest as a mortgage pays but on much larger sums which involve a much smaller percentage cost for bookkeeping and administration. Moreover the banks have many commercial clients who depend upon them for loans to carry on their businesses and to provide employment for others, and short-term loans to such borrowers may appear to be more urgent and important than long-term mortgages.

Therefore the volume of savings available to finance the construction of houses has obviously declined. A large proportion of it is now being channelled directly into "conventional" mortgages at interest rates that have had to compete for funds with other projects, mainly other construction projects, of course. Despite the effort to compete, the number of houses on which construction has started in recent months has declined and it now appears that of the many who were employed in building houses last year, and supplying materials for them, substantial numbers will have to be diverted this year to work on other types of construction or other employment.

Mortgage Rate Increase

This is why, the government has, of course, been considering the policy to be followed in regard to the rate of interest on mortgages insured by the Central Mortgage and Housing Corporation. This rate was raised, some 10 months ago, to 5½%. At that increased rate a large volume of savings was invested in mortgages last year. By now, however, the general market level of rates has risen substantially higher under the pressure of the competition I have described. The rates permitted on insured mortgages now are clearly lagging behind and are well out of line with other rates. An increase to 6% will bring them back to a more normal and competitive situation, and permit those building houses to have a better chance of obtaining the loans they require. Consequently the government has authorized this change, as announced by my colleague, Mr. Winters, which took effect on Jan. 22.

We are confident that this increase will assist in attracting to housing a larger share of the available investment funds. One must not exaggerate the effect of

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F. R. DANIELS

President, Paton Manufacturing Co., Ltd. Vice-President and Managing Director, Dominion Textile Company Limited

The Canadian primary textile industry is made up of 745 separate establishments located in every Canadian province, but with the bulk of them in Quebec and Ontario. The industry has four main sections—the cotton textile industry, the synthetic fibre and fabric industry, the wool textile industry, and the knit goods industry—although in recent years the lines of distinction have become somewhat blurred as technological advances and consumer demand have resulted in wider use of the various natural and synthetic fibres to produce better quality end products.

The industry in 1956 produced about 375 million yards of fabrics of all types. The movement of the fabric market is an accurate and representative indicator of market conditions and, in any event, figures on production of knitted goods and other types of textiles are not different in significance for a review of this type. The following table sums up the present position and indicates how the fabric market has moved in the postwar period:

CANADIAN FABRIC MARKET
(million linear yards)

	*Canadian Production	Imports	Exports	Apparent Supply	Supply per Capita (yds.)	% Canadian
1930-34 Avg.	228	94	--	322	30.7	71
1935-39 Avg.	298	116	3	411	37.2	72
1940-44 Avg.	409	206	16	600	51.4	66
1945-49 Avg.	368	248	14	602	47.6	59
1950	472	225	6	690	50.3	67
1951	435	229	9	655	46.8	65
1952	376	282	5	653	45.2	57
1953	388	283	5	666	45.1	58
1954	336	250	4	582	38.3	57
1955	374	286	5	656	42.0	57
1956 †	374	305	5	674	42.4	55

*Includes fabrics produced for military account; shipments for 1953 and subsequent years. †Annual rate based on figures for nine months.

The table shows very clearly that import competition, a great deal of which comes from the United States, is a continuing and growing problem for the Canadian industry. After a postwar upsurge lasting until about 1951 Canadian production fell steadily until 1955. Production moved upward throughout 1955 and 1956 but imports are up even more sharply and the share of the Canadian market held by Canadian mills shows a steady and, from the point of view of Canadian producers, an alarming decline.

In the letter requesting a "review and forecast" of the Canadian textile industry the editor of this publication speaks of the "avid interest" shown by readers in trade and investment in Canada. This interest has indeed been reflected in the increasing amounts of U. S. textiles, particularly in the synthetic and cotton fields, that have been sold in Canada in recent years. And while we in the Canadian textile industry appreciate as well as anyone the value of our trade with the United States we cannot but be alarmed at the inroads made into markets formerly held by Canadian mills.

It is possible that a word of caution may be useful here. Canada's international trade policies do not favor excessive protection for home industries. But a firm base of manufacturing employment will eventually be vital to Canada if her booming economy is to be kept in balance by the provision of jobs for her increasing population. The unrestrained use of Canada as a convenient place to get rid of surplus or distress merchandise could bring some protective reaction if excessively continued.

Investment in the Canadian textile industry is mainly Canadian. Only about 16% comes from other countries. Capital expenditure in recent years has been designed to improve the techniques of production rather than to increase output and the returns on investment have not been such as to attract any large amounts of outside funds.

JOHN C. DOYLE

President, Canadian Javelin, Limited

Sweeping across a wide 1,500 mile arc of rich mineral lands in Labrador, the properties controlled by Canadian Javelin, Limited, and its associate, the Newfoundland and Labrador Corporation, Ltd., represent a dominant force in what has become known as the "New American Iron Ore Heartland."

John C. Doyle

Labrador holds the interest today of all the free world steel industry as the last and perhaps greatest storehouse of strategic raw materials and will undoubtedly develop quickly into one of the world's greatest mining areas. Having access to North American markets and being located on the great circle ship routes of the North Atlantic, Labrador is also of major importance to Europe as a supply source. I look for rapid development of the Labrador mineral fields in the next two or three years. The Newfoundland and Labrador Corporation, Ltd., which was formed by a special act of the government, is working in close cooperation with Canadian Javelin to speed the development of the mining wealth of Labrador. To make this possible, the Government of Newfoundland granted Canadian Javelin a 5,000 square mile area now known to be rich in iron ore.

As a further proof of its desire to hasten the development of Labrador, the Newfoundland Government underwrote a $16,500,000 bond issue to make possible construction of the 42-mile rail link from the company's Wabush Lake mining property to the main line of the Quebec North Shore and Labrador Railway. This connection insures Javelin access to the port of Seven Islands, near the mouth of the St. Lawrence River.

Construction of the Wabush Lake Railway is proceeding according to schedule in order to assure ore shipments by late 1957. The Wabush Lake deposit alone has in excess of one billion tons of proven iron ore which can be obtained by open pit mining.

Javelin has already completed contracts to sell its entire initial output of 6,000,000 tons of concentrates and pellets annually on a long-term basis. During the 15 year period specified, 2,000,000 tons will be shipped to 13 West German Steel companies, an equal amount to the British Iron and Steel Corporation, Limited (the official purchasing agency for British steel mills), and 2,000,000 tons to Pickands-Mather & Co., of Cleveland and Steel Company of Canada on a long-term basis.

These firm commitments of Javelin represent total sales of $880,000,000 plus $200,000,000 in royalties. In addition to Javelin's sale of ore to Pickands-Mather and Steel Company of Canada, it has also extended to them further exploration right for additional productive mine sites.

In addition to the iron ore holdings of Javelin, preliminary surveys give evidence that the area contains other valuable minerals including: tungsten, fluorspar, magnesite, copper, zinc, lead, molybdenum, wolframite, and nickel.

Second only to the Government of Newfoundland as the largest individual shareholder in NALCO, NALCO has the exclusive exploration and development rights on 24,000 square miles of potential mineral lands and some 10,000 square miles of forests located in Labrador and Newfoundland.

Javelin also holds mining rights in properties along the Saguenay River in the Province of Quebec upon which sufficient drilling has been done to indicate a potential of 30,000,000 tons of titaniferous magnetite ores.

THOMAS W. EADIE

President, The Bell Telephone Company of Canada

The level of business activity in Canada is expected to show a continued increase during 1957. However, the rate of growth in both the gross national product and capital expenditures will probably be somewhat slower than it was in 1956. Housing expenditures are expected to show some decline. On the other hand, defense expenditures will likely continue to increase in view of the country's commitments in Europe and the Mid-East.

Thomas W. Eadie

It appears that employment will remain high in most fields and thus support a continued steady growth in consumer demand. Customer expenditures on durable goods, however, may decline somewhat as a result of the decrease in home building and the recent restrictions on bank loans to instalment finance companies. The continuing demand for service will make it necessary for the telephone industry in Canada to further increase its capital outlays during 1957. In the territory served by our company, in the provinces of Ontario and Quebec, construction of new facilities amounted to some $138,000,000 during 1956. This was $10,000,000 higher than in the previous year and it constituted an all-time high. But, if we are to keep pace with our territory's rapidly growing communications needs, an even greater amount of capital will have to be expended on our construction activities during the next twelve months.

The number of telephones served by our company now exceeds 2,760,000, or nearly a quarter of a million more than at the beginning of 1956. Last year, we furnished telephone service to more new customers than ever before and while the demand for service continued to grow steadily we were able to reduce the list of waiting customers by 17,000, or 37%. At the end of the year we had some 30,000 unfilled orders for telephone service as well as 56,000 unfilled orders for a higher grade of service. However, we were able to increase the number of exchanges where we can provide individual line service as soon as it is requested and we expect to make further progress in this direction in 1957.

The average number of local calls handled daily increased by 8%; long distance calls by 11%.

Our financial results were satisfactory, and, after payment of dividends, we were able to strengthen further the company's earned surplus. Retained earnings are now the equivalent of slightly more than a year's dividend at the customary rate of $2.00 per share.

The extension of long distance dialing as part of a continent-wide program is one of the most significant communications developments of the past decade. A major step forward in Canadian participation was the opening last spring of our new long distance center in Montreal: it will serve as regional center for Eastern Canada. Three-quarters of the long distance calls our customers make are now dialed direct by the operator to the distant telephone. In the next three or four years we shall install automatic accounting equipment in Toronto and Montreal, which will make it possible for our customers there to begin dialing their own long distance calls. Since July our customers in Windsor have been dialing their calls direct to many communities in southern Michigan, making use of the Detroit long distance center.

Acting as agent for the Trans-Canada Telephone System, our Special Contract Department has planned and constructed the Mid-Canada radar warning line. This vital segment of the northern continental defense network went into partial operation at the end of the year; the entire line is scheduled for completion in 1957.

Together with the other members of the Trans-Canada Telephone System we are building a 4,000-mile microwave radio relay network, from Sydney to Victoria. Last year, the Toronto-North Bay-Winnipeg section was completed, as well as part of the Maritime sections. Construction of the rest of the chain progresses according to plan, and the entire network is scheduled to go into operation in 1958. It will carry long-haul telephone conversations and provide network television for 28 cities.

CYRUS S. EATON

Chairman of the Board, Steep Rock Iron Mines Ltd.

Steep Rock Iron Mines Limited shipped 3,317,073 tons of high grade iron ore to the steel mills of Canada and the United States during the 1956 shipping season. This compared with 1955 shipments of 2,265,555 tons. The Steep Rock iron range, which barely a dozen years ago lay buried deep beneath the bed of a wilderness lake, is forging steadily ahead toward its ultimate annual goal of 10,000,000 tons of direct shipping ore. Starting from scratch, the Steep Rock company has now taken its place as an established leader among the world's iron ore producers. The 1956 Annual Report, which will be published shortly, will reflect a strong financial position and satisfactory earnings.

Cyrus S. Eaton

The saga of Steep Rock is the story of the successful solution of geological, engineering, construction and financial problems that at times appeared insuperable. Not only has a major new industry been carved out of the Canadian wilderness, but a thriving modern city has been created, with all of the civic, commercial and cultural institutions needed to meet the material needs of a growing community and to satisfy the life of the mind and the spirit.

The Steep Rock achievement stands as a noble tribute to the courage and intelligence of a dedicated young Canadian team of engineers, geologists, chemists, accountants, lawyers, miners, office workers and other artisans and laborers. Enthusiastic and understanding wives played an equally vital role. What has been accomplished by the pioneers of Steep Rock will be repeated in many parts of Canada's vast and still largely unoccupied continent to the north.

In other days Canada was accustomed to looking for leadership to her two mother countries, Great Britain and France, until the flower of their youth was cut down by the ravages of World War I and World War II. Fortunately Canada was ready with young people of her own of ardent and eager spirit, and the miracles they are performing can, in turn, set the pace throughout the British Commonwealth of Nations and the French Empire.

GORDON FARRELL

President, British Columbia Telephone Company

Expansion by the British Columbia Telephone Company in 1956 and our plans for 1957 are probably clues to the health of this Province's business and industrial development.

Gordon Farrell

During the past decade, demands for telephone service have far exceeded anything we have known before. British Columbia stands second in Canada in the ratio of telephones to population, being exceeded only by Ontario.

This Province, on the west coast of Canada, depends upon communications for the development of resources which lie in the mountainous areas of the interior and along the coast. Good communications of every type—road, rail, air, ship and telephone—are essential to efficient and orderly development.

All these have been strained to the limit during a decade which has seen British Columbia almost double its population, establish new industries and move into its greatest period of industrial expansion. That expansion is still in progress.

Our company's plans for 1957, like those of others in the communications business, show our confidence that the growth of the postwar period is leading to still greater achievements.

In brief, business leaders in British Columbia are intelligently optimistic and the Telephone Company's plans for this year are predicted upon that outlook.

This is clearly demonstrated by a quick look at our activities in the past year and our plans for 1957.

British Columbia's population is still under 1,400,000 and about one-half of this is concentrated in and around Vancouver in the southwest corner of the Province. The balance is spread over a predominantly mountainous area of 366,000 square miles, an area bigger than California, Oregon and Washington combined.

For this year we plan a capital outlay of about

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any possible change however, for the fundamental fact is the overall shortage of savings to meet the total requirements for construction and other capital expenditure. Something has to yield in the competition in the market, and the demand for many products is so strong that those producing such things may be willing to pay more for loans than those borrowing to build houses.

Demand for Next Year

On the other hand I would like to express the expectation that over the longer term, as distinct from the next six months or a year, there will be a good supply of funds available for housing. The present shortage of funds is a reflection of what appears to be an abnormally intense phase of our economic development, which I would expect to see relax somewhat, back toward what we have experienced on the average during the past five years. But it does appear, I am told, that this year, or at any rate the first half of it, will be a very active one indeed in the construction business generally, and in the demand for funds to finance capital expenditures. Our statisticians tell us that the current intentions of those planning capital expenditures for 1957 add up to a total some 12½% above the very high level that was achieved last year with considerable strain. This is after allowing for a reduction in housing, and is based on an expected increase of about 5% in costs over last year, on the average. Such an increase of about 7% in real terms would greatly intensify the present shortages and something will have to yield, either in the competition for funds to finance projects, or in the competition for labor and materials to carry them out.

This, as I see it, is the major immediate problem that confronts your industry, your customers, and the government—the problem of an excess of demand in general and of a competition which is forcing a temporary reduction in the volume of work on housing.

But there are other matters about which I would like to say a little.

Overcoming Winter Unemployment

The first of these is the problem of winter unemployment. I should like to express the appreciation of the government for what your industry has already accomplished in overcoming this problem, both in your individual businesses and through your association. No longer is it considered as impossible, or exceedingly costly, to carry on most types of construction in the winter months, and I have been told that we now do in our country in winter what others would regard as impractical, and such extra cost as there is can usually be kept within acceptable limits by adequate preparation. The Joint Committee sponsored by your association has rendered a valuable public service by its work in this field and I hope it will keep up its efforts, for this is a continuing and important Canadian problem and it will be more important when the pressure on the construction industry slackens off a bit. We in the Federal Government are trying to do our part in this effort, with the Department of Labor taking a lead and making us all aware of the importance and the possibilities of finding a helpful solution. Our experts in building research are working on the physical aspects of the problem and others are studying the economic aspects. Our contracting departments are putting into effect instructions from the Cabinet to have as much as possible of their construction and repair and maintenance work done in the wintertime. Even our treasury is cooperating by accepting some modest increase in costs. I believe that other customers of your industry are conscious of the problem now—even the householder is being frequently reminded to get his work done in winter—and I hope we will all work together to overcome this obstacle which nature has set for us.

Reducing Costs

A second problem I would mention is one that must be in your minds as well, and that is keeping costs under control. I suppose this is a poor time to bring the subject up, when I have just noted how much competition there is for your services at present, but this plethora of demand will not last forever. One of these years you are going to be looking for business and the lower you can keep your costs, the more all the rest of us can afford to buy of your services when you will want most to sell them. All of us who have had to do with contracts in recent years have been shocked from time to time at the increases in construction costs with which we are confronted. If the country as a whole is to prosper over the long term, and be truly competitive, your industry like any other—and I do not make an exception of government—must strive for efficiency and cost control. I have no doubt that in normal times competition for business forces this upon you, but I hope you will not lose sight of it even under present conditions.

It is not just economy in costs which we look to your industry to achieve. In your structures you are creating the largest works of art to which men set their hands. Some people must look upon each of them every day. Let not our eyes be offended. Good design should not be inconsistent with economy; the architect is not an extravagance and even the engineer can surely achieve beauty, if he is encouraged. I would hope that we will all feel that good designs, and a proper execution of those designs, are worth the special care and attention they require. The products of your industry, more than those of any other, make up the main part of the physical and man-made heritage which we leave to future generations of Canadians. We wish to be as proud of them as we are of the country itself and its institutions and traditions that we pass on as well.

Building Better

And it is not simply structures that we are creating, it is communities, towns and cities for the most part, as we become a predominantly urban society. Towns need planning and design as well as individual buildings. I have been glad to see more and more evidence of town planning in recent years. I am engaged in this business myself, you know, for one of my duties is to be the Minister of the Crown responsible for the Federal District Commission which administers the planning of the National Capital area. This brings to my attention quite vividly the importance, the opportunities and the difficulties of city planning.

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$40,000,000—which far exceeds any previous year's expenditure. It is evident the demands for service which led to such expansion are a sign of confidence among business leaders, and a sign that we share that confidence.

We estimate that our expenditures for the three years to the end of 1958 will be over $100,000,000, $28,000,000 of this having been spent in 1956.

In capsule here is what we have done recently: installed 41,000 additional telephones, which gave us at the end of the year a total of 412,000 telephones in our system; speeded up installations so as to cut our waiting list to a fraction of what it was at the start of 1956; handled 13,000,000 long distance calls, another substantial increase, and made further substantial progress in the conversion of our exchanges to automatic operation.

The company made considerable progress, too, on construction of the $6,500,000 British Columbia section of the Trans-Canada microwave system, which will carry simultaneously TV circuits and many long distance channels. The tower footings and buildings for 12 relay stations in the B. C. section, seven of them on mountains at altitudes of more than a mile, are nearly all in place. When the cross-country system is completed in 1958, it will give Canada the world's longest microwave relay system—about 3,800 miles from Victoria on the Pacific to Sydney, Nova Scotia, on the Atlantic.

Altogether, we are certain that the demands for improved and extended communications are a sign of a strong business outlook.

JULES E. FORTIN

Secretary-Treasurer, The Dominion Mortgage and Investments Association

There is every indication that 1957 will again be a year of heavy capital expenditure for construction, machinery and equipment in Canada and that the demand for capital funds will continue to exert strong pressures on materials, manpower and available funds. With such a demand, the competition for available funds will be keen and investors generally should have no difficulty in finding investment opportunities at satsifactory rates of return. In these circumstances it seems likely that 1957 will see a continuation of the reduction which started in 1956 in the volume of funds seeking investment in mortgages. The participation of Canadian chartered banks in the field of insured mortgage loans on new residential properties under the National Housing Act (Canada), which dropped substantially in 1956, is altogether likely to decline still furtner as the demand for funds of all types exceeds the supply and conditions of tight money continue. For institutional investors such as life insurance, loan and trust companies, the bond market and other avenues of loan and investment offer attractive alternatives to mortgages within the requirements of safety, liquidity and rate of return called for by the quasi-trust nature of the funds at their disposal. Further, Canadian mortgage holdings of these companies now represent a substantial portion of the Canadian assets of such companies and it cannot be expected that the rapid rate of growth of recent years in mortgage holdings can continue.

Within the decreased volume of mortgage funds anticipated for 1957, it seems likely that the demand for and supply of mortgage funds for industrial and commercial purposes will remain at about the same level as in 1956, while the demand for and supply of mortgages for housing purposes will decline with respect to new residential construction, it being thought that there will be little change in the situation as regards existing properties.

In the field of new housing, there is room for doubt that the volume of new residential construction experienced in recent years can be maintained in 1957. This volume has been large and there are indications that in some metropolitan areas the construction of housing has kept pace with effective demand. Sluggish sales experienced since the fall of 1956, together with the expected increase to the purchaser in the cost of the 1957 house, combine to suggest that effective demand in 1957 may not support the same volume of new housing as in 1956.

Insured loans under the National Housing Act have accounted for a large part of all mortgage loans in the financing of new housing in recent years. The maximum interest rate obtainable on such insured loans is now 5½% in comparison with rates ranging from 6½% to 7% on conventional mortgages and it is therefore unlikely that a large volume of funds can become available for NHA mortgages in the absence of an increase in the present 5½% rate to a level competitive with the return obtainable on conventional mortgages and in the bond market.

Thus the outlook is that a lesser volume of funds will seek investment in the mortgage market in 1957 and that, of the funds available to the mortgage market, a greater proportion will find an outlet in conventional mortgages and a lesser proportion in NHA insured mortgages.

C. S. FROST

President, The Bank of Nova Scotia

The past year was an even better one for the Canadian economy than was anticipated a year ago. The gross national product showed an increase at least as large in value terms as the 10% increase registered in 1955, and probably approached $30 billion. With the enormous size of the capital investment program, strong external demand for most of Canada's basic exports and the rising trend of consumer incomes, demands on the economy threatened throughout the year to outrun available supplies of manpower and materials and there was a significant upward pressure on prices. In fact about one-third of the increase in the gross national product appears to have been accounted for by higher prices, and the effort by the monetary authorities to curb inflationary pressures through a progressive tightening of credit has been one of the main features of the economic climate for more than a year. The rate of economic growth was more marked in Canada than in the United States in 1956, and the momentum of the present expansion seems strong enough to give the Canadian economy a measure of independent buoyancy for a considerable period ahead. The big volume of unfinished construction indicates that capital expenditures will continue at a high level in 1957. One need only mention the St. Lawrence Seaway, the two major natural gas pipelines—one eastward and one westward from Alberta—and numerous mining, pulp and paper, chemical and power projects, as well as the large amount of commercial building.


C. Sydney Frost

Consumer incomes will also be carrying over into the new year at a record level. It should be noted that farm income in western Canada has improved substantially since last spring as a result of a gratifying pick-up in wheat exports, though Canada still has a large surplus of wheat and continues to be seriously concerned about the effect of U. S. surplus disposal policies on her wheat sales.

There is also a certain amount of concern in Canada about the big current-account deficit we have been running in our balance of payments—something like $1.3 billion in 1956. The rapid rate of development we have been enjoying has involved a very sharp increase in imports, largely consisting of capital goods and construction materials. The deficit so far has been amply covered by a big inflow of foreign capital—an inflow large enough incidentally to raise the premium on the Canadian dollar to around 4% in the past couple of months. Some Canadians, however, are beginning to question the desirability of such a high degree of dependence on external capital.

In spite of these questions and the uncertainties of the international situation, Canada appears to be facing another year of high activity and generally strong demand. The prospect is for a further rise in the new exports of iron ore, oil and uranium, and a well-sustained demand for our traditional exports, though there have been signs of easing in markets for a few products and shipments of lumber have fallen off substantially. On balance, it would appear that Canadian business will continue buoyant in the coming months.

J. A. FULLER

President, The Shawinigan Water and Power Co.

Canada's economy, like that of the United States, is booming as never before and indications are that business and industry will continue to move ahead at a fast pace during 1957. Reflecting the country's prosperity, power producers across Canada increased total installed capacity by some 800,000 kilowatts last year and have, either under construction or in the active planning stage, projects which will add a further 6,000,000 kilowatts over the next five or six years. Of this amount, new capacity to be added this year is expected to amount to some 1,400,000 kilowatts.


J. A. Fuller

The major part of additions to capacity in the immediate future will be by continuing development of available hydraulic resources, less than 30% of which have been harnessed so far. However construction of thermal stations is proceeding in some provinces—Ontario, the Prairies and the East Coast—where water power resources are either limited or rapidly being used up.

Nuclear power generation came into the picture in Canada in 1956 when Ontario Hydro-Electric Commission, in cooperation with Atomic Energy of Canada Limited and the Canadian General Electric Company, started work on a 20,000-kilowatt nuclear station at Des Joachims on the Ottawa River. It can be expected that other plants using nuclear fuels will follow this experimental move.

Among major hydro-electric projects under way are these:

Quebec Hydro Electric Commission's two big plants on the Bersimis River with an ultimate capacity of more than 1,500,000 kilowatts, and the third section of its Beauharnois plant which will add some 530,000 kilowatts to bring total Beauharnois capacity to 1,600,000 kilowatts;

The Aluminum Company of Canada's 746,000 kilowatt Chute des Passes plant on the Peribonka River in Northern Quebec, and installation of additional units in its Kemano plant in British Columbia to bring total capacity to some 670,000 kilowatts;

The Ontario Hydro-Electric Power Commission's St. Lawrence Power Project which will have a total capacity of 900,000 kilowatts and additions to its Sir Adam Beck Generating Station No. 2 to bring total capacity there to 1,253,300 kilowatts.

Our own company, The Shawinigan Water and Power Company, is building a 246,200-kilowatt generating plant at Rapide Beaumont on the St. Maurice River in Quebec.

As well, studies of the Hamilton River area in Labrador by the British Newfoundland Corporation have shown that development of Grand Falls, on the world's largest hydro-power sources, is economically feasible.

Expansion of Canadian industry and development of the country's vast forest and mineral resources depend to a large extent on availability of electric power. As a result, Canada's electric utility industry faces a bright future as it builds and plans to serve a growing nation.

J. P. GALLAGHER

President, Dome Exploration (Western) Limited

It is now 10 years since the discovery of oil at Leduc in Alberta heralded a new era for Canada's oil industry. The decade which followed has seen Canada's oil production increase more than 2200% to a total of over 170 million barrels in 1956. Crude oil reserves have increased 1,000% to an estimated 3 billion barrels and natural gas reserves which were insignificant 10 years ago, are now estimated at some 23 trillion cubic feet.


J. P. Gallagher

To find and develop these reserves, a total of 160 companies spent a record average of some $1.5 million per day in Western Canada during 1956. Larger budgets for 1957 and the continuing influx of new companies is expected to result in an increase of at least 20% in expenditures on exploration and development. Investment in transportation, refining and marketing facilities which in 1956 amounted to $370 million, should be up at least 25% in 1957.

As we enter the second decade since Leduc, a number of factors point to an even greater degree of optimism as to the future of Canada's oil and gas industry. Developments in the Middle East underscore the vital long-term value of oil reserves on the North American continent. With new sources of oil becoming more difficult and more expensive to find in the U. S., the industry must look to an increasing extent to the vast unexplored sedimentary areas of Western Canada to provide the reserves on which it must rely for its expanding needs.

Prospects of marketing Western Canada's rapidly growing oil production are also given new impetus by Middle East developments. The recent increase in American crude oil prices makes Canadian crude more competitive on the U. S. West Coast and improves the possibilities of breaking into the rich Montreal and Chicago markets. Capacity of the Interprovincial and Trans Mountain pipelines will limit production increases in 1957, but inevitable expansion of these facilities should permit a substantial enlargement of markets in 1958.

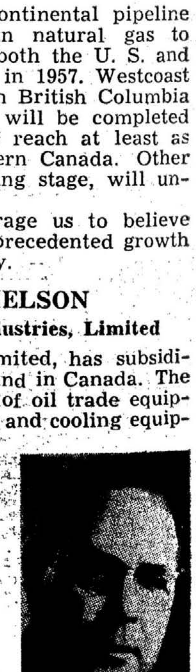
The development of great trans-continental pipeline systems to carry Western Canadian natural gas to eastern and West Coast markets in both the U. S. and Canada will make important strides in 1957. Westcoast Transmission's line from northeastern British Columbia to Vancouver and the U. S. border will be completed and the Trans-Canada pipeline will reach at least as far as Winnipeg on its way to eastern Canada. Other pipeline projects, now in the planning stage, will undoubtedly move towards reality.

All of these developments encourage us to believe that the next decade will witness unprecedented growth in all phases of Canada's oil industry.

GUY GEORGE GABRIELSON

President, International Metal Industries, Limited

International Metal Industries, Limited, has subsidiaries operating in the United States and in Canada. The primary operations are in the fields of oil trade equipment, dairy equipment, home heating and cooling equipment, automatic hot water heaters, and steel tanks and drums. We are looking forward to a higher sales volume in 1957, partly because we anticipate continued growth in the general economy and partly because there are strong upward pressures on prices. Farm income made some improvement this past year and indications are that this improvement will continue in 1957. In addition, there has been a steady increase in production costs for the farmer. This cost-price squeeze on the farmer is causing him to invest in labor-saving equipment. His improving income should mean additional equipment sales in 1957.


Guy G. Gabrielson

The greatly expanded highway construction program, resulting from the Highway Act of 1956, with its anticipated expenditures of some $5½ billion in 1957, will be a boost to the economy, generally, and of special interest

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Canadian Construction and Capital Formation Outlook

It also makes me conscious of the cost of **not** planning a city, for to correct mistakes years after they occur in the development of a city is a very expensive business indeed.

Over the next quarter century, our towns and cities are going to grow enormously. Let us give some thought and care to how they grow and see that they are properly planned and developed, and do not simply accumulate, or sprawl over the landscape.

It is not just the **new** communities, or new parts of communities that need attention. I note a growing consciousness of the need to protect, to renew and to redevelop the older parts of our cities. I hope that in future years there will be great opportunities for your industry in replacing the old that is obsolete, while preserving what is beautiful and of enduring value, eliminating the blemishes in our neighborhoods and clearing blighted areas to make room for new large-scale developments. Parliament last year amended our Housing Act to enable it to fit more effectively into this concept, and the Minister of Public Works is now authorized and ready to consider plans and proposals of this nature which involve either removing old housing or creating new.

Of course it is not for the Federal Government to take the initiative in such programs, nor to regulate or plan our urban areas. The legal jurisdiction lies with the provinces and municipalities, and the initiative normally with private enterprise or community organizations. But Parliament and the Federal Government and its housing corporation have developed an interest in this field through their expanding role in mortgage financing and in Federal-Provincial partnership agreements for housing and land development projects. We have encouraged proper planning and in some cases insisted on it as a condition of our action. As time goes on, I would expect we shall have to do more of this, as a matter of financial prudence as well as for more positive reasons. In such efforts I hope we will have the support and assistance of your industry.

In conclusion let me say that I look forward to the future with the kind of optimism expressed by the Royal Commission on Canada's Economic Prospects in their recent report. I firmly believe we are going to have peace, maintained by the ready, armed strength by which we in the West deter possible aggression. Our country will continue to expand and prosper. It will have problems as it always has had, but the spirit that animates the Canadian people now is the kind that enables men to overcome obstacles and create a fine future for themselves and their children.

Boyd Will Address Phila. Inv. Association

PHILADELPHIA, Pa.—Thomas H. Boyd, a Vice-President and Director of Blyth & Co., Inc., and a nationally recognized authority on revenue bonds, will be guest speaker at a luncheon meeting of the Investment Association of Philadelphia on Friday, Feb. 1, 1957, at the Mask & Wig Club, 310 S. Quince Street, Philadelphia.

Mr. Boyd, who was identified with the first revenue bond issue of the city of Portland, Oregon, back in 1920, will speak on "The Importance of Revenue Bond Financing."

G. H. Walker Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert E. Crawford has been added to the staff of G. H. Walker & Co., 503 Locust Street.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — William H. Williamson III has become affiliated with Harris, Upham & Co., Johnston Building.

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Canada and Electronics

television, telephone and other forms of electronic communication from Sidney to Victoria.

Economically, too, the stage of your national development poses problems and challenges which are different from ours. Politically, as Winston Churchill once remarked, you have become the "linchpin between the U. S. and the U. K." In the United Nations and world affairs, you also have played a role of independence and mediation that has served us all well.

Canadian-Minded Foreign Investors

Our industries welcome the opportunity which Canada affords to participate in its growth. We see our operations here largely in terms of the Canadian scene — serving the needs of the country, assisting in the solution of its problems, firmly rooted in its national development. The day that we cease to regard our activities here in the special light of the Canadian circumstances is the day that I feel we will cease to have a valid reason for doing business among you.

Let me cite the case of the RCA Victor Company, Limited, our associated company in Canada, which employs more than 3,000 Canadians. That is a story I know well. RCA Victor has five manufacturing plants in Canada — in Montreal, Presscott, Smith Falls, Renfrew and Owen Sound. There also are ten distribution offices and warehouses located in strategic areas.

In addition to records, "Victrola"-phonographs and cabinets, RCA Victor manufactures a wide line of other electronic products and we are proud to see the words "Made in Canada" linked with our name. These products include radio and television receivers, tubes, high-fidelity, electronic communication and radar equipment. They also comprise radio and television broadcast transmitters and associated equipment as well as the marketing of a complete line of appliances.

To an increasing extent much of our electronic equipment has been developed in Canada, by Canadian skills, to meet specific Canadian needs. I am proud to say that this equipment is of such quality that it has become the basis for a rapidly expanding export trade to all corners of the world. In fact, RCA Victor has exported Canadian-made radios, TV receivers and electronic products to 75 foreign countries and territories.

RCA Victor has delivered entire radio relay communication systems to Saudi Arabia, the Dominican Republic, Curacao, Mexico and to the United States itself. Microwave communications systems have been sold to Australia, Brazil and Colombia where distances between points are frequently as great as here. No less than 25 countries, ranging across the globe from Pakistan to Peru, use commercial type radio receivers made by RCA in Canada. Complete broadcast transmitters have gone to the Far East. Mexico was so impressed with Canadian equipment and its adaptability to the rugged conditions there that it purchased a complete television relay system. RCA Victor's Canadian-built television receivers were the first to be imported by Thailand after the inauguration of TV in that country. This is only a partial listing, but I think you can appreciate its significance to Canada.

Growth of Canadian Electronics

The real development of Canadian electronics began with World War II. During six years of war, the industry produced equipment for all three of the Canadian armed services as well as for the Allies. Out of its factories came such equipment as radar, sonar, electronic anti-aircraft gun control apparatus, remote radio control equipment for pilotless aircraft, navigational aids for ships and planes. Canadian radar gear protected the cities and coasts of Canada, the Panama Canal and the cities of the United Kingdom. From a pre-war factory shipment value of some $20 million, the peak wartime volume of the industry rose to a quarter of a billion dollars.

Conversion of electronics to peacetime uses was swift and efficient with production focused on electronics for industrial use, for continental defense and for a rapidly growing home consumer market. In 1952, Canadian sight was added to Canadian sound with the inauguration of TV stations CBFT, Montreal, and CBLT, Toronto. Today, only five years later, more than half of the four million Canadian homes have television receivers. Canada has 36 television stations, many of them built in this country by RCA. I am told that at least four additional stations are expected to go on the air this year. And, of course, you have 179 radio broadcasting stations.

Firm Friendship Bond

Through our mutual relationship in radio broadcasting, and now in television, science has given us one of the firmest bonds for friendship and understanding that exists anywhere in the world.

We see electronics at work in almost every aspect of Canada's cultural life and national development. Electronic minds and hands are at work in factories. Microwave and other forms of communication link mining communities and logging camps. Electronic equipment sails with the fishing fleets off the Grand Banks, in the Pacific, on the Great Lakes and in Arctic waters. Radar and other electronic gear stand endless watch as northern sentinels of defense. In 12 brief years, Canada's electronic industry has doubled the value of goods produced during the peak war year to approximately half a billion dollars and it is marching with giant steps into the future.

Key to Canada's Future

The electron may well be one of the keys that will help to unlock the door to Canada's future greatness. In many ways, it provides the answer to the problems raised by your geography, climate and population resources. Automation, for example, will come into increasing use as the means of assuring greater productivity in the face of a relatively limited working force. Together with industrial television, it will enable

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to service station equipment manufacturers. The one area in which the number of units will probably not show a significant increase is the heating and cooling units for homes and the hot water heaters. Indications are that residential housing starts in the United States in 1957 will be about the same as the 1.1 million in 1956 or slightly less. This, of course, can be affected by Government action. There appears to be a growing clamor for Government moves to increase house construction, but with the peak industrial construction planned for 1957, no drastic move will probably be made.

On the outlook for earnings, however, we are not certain whether net earnings in our field will increase in 1957 over 1956 even with higher sales. High taxes and increasing operating costs are offsetting gains in sales volume. The struggle to increase actual volume of production should increase competition in 1957. It will take the best efforts of management and labor to bring about an increase in net earnings in 1957.

The above comments are based principally on the outlook in the United States. We are fortunate to be doing business in Canada as well. Their steady growth is expected to continue but at a slightly lower rate. The free exchange of currency and the interdependence of the two economies have proven to be a good thing for companies like International Metal Industries which operate in both countries.

While housing starts in Canada have dropped sharply in recent months due to the "tight money" policy, the introduction of natural gas to many areas such as Montreal and Toronto will open a new market to gas appliances for the home. A slight net gain is expected in this market. The introduction of a third grade of gasoline by the major oil companies will provide a significant increase in sales for this field.

While an increase in sales volume is expected, in Canada as well as in the United States, operating costs are high and are increasing. This factor, plus the growing competition from foreign manufacturers, has resulted in profit margins substantially smaller than would be expected in this type of expanding economy. Earnings for 1957 will probably not be much different than 1956. It will require additional sales volume just to maintain earnings.

DONALD GORDON

Chairman and President, Canadian National Railways

The year 1956 marked the completion of an important phase of Canadian National Railways' dieselization plans. A five-year plan initiated in 1952 was based on dieselization of those specific services which would yield the greatest return on the investment made. The $220 million spent thus far have resulted in the substantial economies anticipated.

Donald Gordon

A new phase has already been introduced. It contemplates further development of the program on a territorial basis commencing at the eastern and western extremities of the railway.

Our earnings, $711 million to the end of November, indicate the high level of business activity that has prevailed throughout 1956. Canadian National has shared in the growth of Canada and, in turn, has made its own contribution to that growth.

The postwar years have seen new rails push northward into such areas as Lynn Lake and Kitimat. This year was no exception. We are now well under way with construction of a 290-mile line between Beattyville, Quebec, and St. Felicien, Quebec, which cuts through the Chibougamau mining fields. By the time this report is printed we should have track in usable condition as far as Opemiska, in the western part of the Chibougamau area. Farther east we have cleared and graded a 22-mile line through the New Brunswick forest to reach a new mine site. To the west, Canadian National forces have surveyed a route far up the Hudson Bay railway line into the Mystery-Moak Lake District where an extensive nickel deposit will be developed over the next four years at a reported cost of $175 million.

Our year-end figures will show that more than $95 million were invested in cars and locomotives in 1956. This represents a substantial net addition to our rolling stock in order to carry the produce of an expanding economy.

It is difficult to conceive of a period in railway history, including the war years, when the railways' resources were so fully employed. In company with others Canadian National has experienced difficulty in obtaining all its requirements, particularly for steel. On the manpower side, personnel training has been accelerated to produce more skills from our own ranks.

It is discouraging that the inflationary consequences of higher prices and higher wages tend to overshadow steady improvements that have been made in operating efficiency.

Among the major expenditures of the past decade have been those for extension, improvement and modernization of yard facilities. Clearing and grading commenced on our property in the Cote de Liesse district on the outskirts of Montreal for an automatic hump yard. It will serve a major industrial area: The Island of Montreal and the adjacent St. Lawrence southshore where seaway development is generating considerable activity.

Railway track maintenance has been changing from a manual to a machine operation during the past few years. In 1956 we spent some $3,000,000 to continue the mechanization of track work. Our investment in track machinery approximates $21 million.

Another 140 miles of automatic block signals were added to the 480 miles already installed.

Centralized traffic control, a signaling and switching system known as CTC, has made it possible to increase average train speeds and traffic volume about 80% without adding physical track. There are now more than 700 miles of CTC on CNR lines. In some cases its application to double track territory provides a capacity for one track that permits the other to be abandoned. In 1956 we were able to remove 40 miles of track by applying CTC.

By year's end deliveries of new rolling stock will include 324 diesel locomotive units and 4,633 freight cars. Two new cars were introduced for specialized traffic and are now under test. These are a pulpwood car which increases normal carrying capacity by 70% and a double decked automobile transporter that can load eight standard-sized automobiles in contrast with the normal complement of four. A third car, also at the testing stage, is an all-purpose box car. By means of hinged and sliding wall panels, the door openings can be increased from 5 feet-eight inches to 15 feet-6 inches. Our aim is to make it easier to load and stow freight and also to convert the car quickly, when required, into a bulk carrier for grain.

Orders were placed for 6,110 freight cars and 130 air-dump work cars.

Experiments with motive power were continued. Last summer we tested a diesel locomotive equipped with hydraulic transmission instead of the customary electrical transmission. It is now in Western Canada where it will be observed for winter performances.

The east-west transcontinental schedule of the Super Continental was shortened by 40 minutes and a new, fast (6½ hours) mail train was placed in operation between Toronto and Montreal. Dinette cars and coffee shop service with their popular prices have been well received. Their acceptance by the public has encouraged us to order five more dinette cars for delivery in 1957. It is estimated that 80% of the passengers on a train patronize these cars at some time during their journey.

In Newfoundland we will soon realize our program of complete dieselization. To this end 26 diesel units were shipped by sea to St. John's in November. Two new passenger-cargo ships, the "Bonavista" and "Nonia," were added to the Newfoundland coastal fleet serving the island ports.

It is a coincidence that in this year when the centenary of the Grand Trunk Railway is observed we should be planning to make a portion of it the newest piece of railway in Canada. A 40-mile diversion of our Toronto-Montreal line between Cardinal and Cornwall is now constructed and will be ready for operation next summer. The abandoned section will be flooded by the power reservoir in the International Rapids section of the St. Lawrence Seaway.

Freight traffic in 1956 should show a 12% increase over 1955. The mix of traffic is heavily weighted with raw materials that move on low rates, however. Despite an interim rate increase of 7% last July, our average revenue per ton mile continues downward. Trailerail (piggy-back) services continued to show gains necessitating the purchase of additional trailers.

In the field of communications an entirely new international service, known as "Telex," was offered to Canadian subscribers last year. It affords instantaneous, two-way written communication between this country, the United Kingdom and Europe. It will be extended to other parts of the world in 1957.

Canadian National Steamships added San Juan, Puerto Rico, to its ports of call in the West Indies service and calls were also made at Gibara, Cuba, as cargoes warranted. Refrigerated chambers are now installed on all eight vessels in the fleet. Exporters and importers in the Western Islands group, particularly, have made increasing use of the refrigerated space. Fifty-six voyages will have been completed by the end of the year.

The past year also saw the inauguration of M/V Bluenose in the tourist trade between Yarmouth, N. S., and Bar Harbor, Me. Canadian National operates the service on behalf of the Federal Government. It has met with notable success. In July and August the vessel carried more than 60,000 passengers and 16,000 vehicles in the daily roundtrip service. Many of the sailings were at full capacity.

The cost of wage increases aggregating 11% over the term of a two-year agreement and a health and welfare plan, effective Jan. 1, on behalf of its nonoperating employees, have to be met by the railway as the result of an award made during the year. This and other awards will add an estimated $80 million to the railway's payroll expenses when the agreements become fully effective. Canadian National has made parallel benefits available to its employees not covered by wage agreements.

The 7% increase in freight rates authorized last June, together with the 4% which became effective on Jan. 1 will still fall substantially short of meeting the full impact of 1956 wage awards.

Construction of the new Queen Elizabeth Hotel located in the CNR terminal area in downtown Montreal is proceeding on schedule toward opening in the spring of 1958. The steel structure is almost completely closed in so that interior work can progress rapidly during the winter.

It was gratifying to the CNR management that an agreement contemplating early development of more than four acres of very valuable real estate in the terminal area was concluded with Webb and Knapp (Canada) Limited in October. The property involved flanks on "Place Ville Marie" which the railway will build in front of the Queen Elizabeth Hotel joining Dorchester and Cathcart Streets. Below the Place substantial parking space for automobiles will be provided in the heart of Montreal.

JAMES H. GOSS

President, Canadian General Electric Co., Ltd.

Canada's newest billion-dollar industry — electrical manufacturing—can look back on 1956 as a year when it made a full contribution to the nation's expanding economy. Preliminary estimates indicate output of goods by Canada's electrical manufacturers in 1956 reached a new high of $1,200 million. This represents a rise of about 11% from 1955's total of $1,085 million. Employment in the 475 establishments operated by the industry rose in 1956 to a new high of 80,000.

James H. Goss

In only one year in the past 17 (1954) has the electrical manufacturing industry's output fallen below that attained in a previous year. Why does this industry continue to grow, and grow so rapidly? To put the answer simply, electric power and the equipment to transmit and distribute it—and put it to useful work—is an increasingly important factor in the Canadian economy. Canadians are among the world's largest producers and consumers of power on an annual per capita basis. That Canada's people have put this power to good use is evidenced by the nation's present key position in the markets of the free world.

With Canadians so heavily dependent on electric power, electrical manufacturers face almost unlimited business opportunities as well as responsibilities. There is the continuing responsibility to risk substantial investments in advance engineering, in modernization, in expansion and in the development of manpower. Current levels of earnings in the industry will not support the required expenditures for these purposes in the years ahead.

In 1955, for example, Canadian electrical manufacturers realized only 2.9 cents net profit on their sales dollar, compared with an average profit of 5.9 cents for all manufacturing industry. While the comparable figure for electrical manufacturers in 1956 is expected to be somewhat higher, it will nevertheless be well below the level necessary to finance the heavy investment necessary to carry out the industry's growing responsibilities.

Looking at the economy generally, we find that 1956 has been the best year on record. Continued vigorous spending by business and consumers has brought the 1956 gross national product to an estimated $29.5 billion.

We confidently expect the economy's 1957 performance to overshadow even that of 1956, but where the dominant force in 1956 came from business capital spending, we expect the emphasis in 1957 will be on consumer spending.

Our forecasts indicate economic activity in the first quarter of 1957 will be only slightly higher than in the last half of 1956 but a further advance is predicted for 1957's second quarter.

We feel the upward pressures on prices already evident will continue to be felt until at least mid-1957 and general price stability will not be reached until 1958.

It is evident that the North American economy is entering a period of price adjustment following several years of price stability. Increased costs of materials and wages have narrowed profit margins to the point where any further increases in costs will have to be reflected by business generally in higher prices.

JOHN D. HAYES

Chairman and President, Laura Secord Candy Shops Limited

In 1956 Laura Secord Candy Shops Limited established a new high record in sales. On the basis of our last achievement we are entering 1957 with the expectation of another successful year. Our progress can best be illustrated by the Company's expansion program. At the end of our fiscal year, September 30, 1956, we had 118 shops. By December 31, 1956, these had increased to 130, with more at the planning stage. Much of this accelerated progress is due to Canada's dynamically developing economy coupled with a modern merchandising plan geared to population trends and suburban living. Of course, the candy industry in Canada is highly competitive but we continue to exert our leadership in the industry on the philosophy that has governed Laura Secord business for the past 43 years: high quality, friendliness and service.

John D. Hayes

If there is no grave disturbance in the international situation, Canada's economic future is decidedly favorable. In fact, it is the studied opinion of our bankers and economists—who are noted for their conservatism—that our country can expect a strong and expanding economy for the next decade. As a firm believer in the destiny of Canada, I subscribe to this optimistic note, and we at Laura Secord are planning accordingly.

In Canada, it is not all too difficult to be optimistic—especially if you are a businessman. People are markets, and Canada's population is growing at a tremendous rate— over 2½% annually, compared with the United States rate of 1¾%. In terms of numbers only, the

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Canada and Electronics

operations to be seen and controlled in places where climate, distance or the nature of the process limit human intervention. Mass production assembly, smelting, oil refining, equipment and product inspection—virtually any major industrial process — will employ these new electronic methods and machines for control, regulation and production. This in turn will create new industries and services—new forms of employment and higher standards of living.

In many ways our economic future is interdependent. Prosperity for one generally means prosperity for the other. In this sense, then, the outlook for the United States may be of more than passing interest to you.

Outlook for U. S. A.

The business outlook for the United States in 1957, based upon the indicators of our Economic Planning Department, is forecast as **favorable.** This is predicated on the assumption that there will be no explosion to precipitate an all-out war.

The moderate upward trend in general business in the last quarter of 1956 is now accelerating. It is expected that consumers will spend approximately $10 billion more in 1957 than in 1956.

Projections indicate that Gross National Product in the United States—that is, the value of all goods and services produced in 1957—will increase about 4% over 1956.

Statistics now available lead us to believe that the consumer products output of the electronics industry in 1957 may well approach that of 1955, which was a record year. In fact, the volume of the electronics business may be about a billion dollars higher in 1957 than in 1956. Contributing to this advance is the continually expanding renewal market, increased commercial and industrial sales and government purchases of electronic equipment.

Color Television

The year 1957 will witness acceleration on all fronts of television for civilian, industrial and educational use. Color will spur the advance and because of the progress achieved in 1956, more manufacturers will enter the color TV field this year and competition will increase. RCA and its broadcasting service, the National Broadcasting Company, have spent about $100 million in pioneering and developing color television, just as they spent more than $50 million in getting black-and-white television into the home.

Eventually, Canadians too will enjoy this remarkable new dimension in communications and entertainment as increasing thousands of Americans are enjoying it today.

If I appear optimistic, let me assure you that it is an optimism based on the record. The more you live with electronics, the more limitless its possibilities appear. Consider the fact that four fifths of the electronic products now produced in Canada by RCA Victor and other companies did not exist commercially 10 years ago. And I believe it is safe to say that four-fifths of the electronic products we will be making 10 years from now are not in commercial existence today.

We can see the outline of things to come in some of the new electronic developments now under way at the David Sarnoff Research Center at Princeton, N. J.

New Products

One of these is a magnetic tape recorder for both color and black-and-white TV for broadcast use. Another is a home "Hear-and-See" magnetic tape player which plays television programs or phonograph records which are recorded on magnetic tape, so that they can be seen as well as heard through standard television receivers.

In another area of electronics, our scientists have demonstrated a noiseless electronic refrigerator with no moving parts; also a room which can be cooled or heated by electronic panels operating in silence and without moving parts. The system either cools or heats simply by reversing the flow of electric current.

In a third field, RCA scientists revealed an electronic amplifier of light which increases up to 1,000 times the brightness of projected light. They also showed how it can be applied in the form of an amplifying fluoroscope for industrial X-ray use.

These products will, in time, find their way to the market place — Canada's as well as the United States'. They will serve the public, benefit both our industries and open immense fields for further exploration and invention.

I would leave you the thought that electronics will provide both our countries with the means for enriching our common destinies. It will provide new fields of employment for our people and new dimensions in entertainment. The new wonders of communication will expand our horizons while electronics further strengthens our mutual ramparts of national defense and peace.

NAM Head Deplores Higher Federal Budget

Mr. Swigert notes big increases in Federal budget since 1955 "are not in military spendings as many people believe," and recommends pruning unnecessary expenditures to improve our domestic strength.

Ernest G. Swigert, President of the National Association of Manufacturers, expressed keen disappointment that President Eisenhower's budget calls for a $3 billion increase in Federal spending, rather than "a reduction in spending which the nation's taxpayers so sorely need."

Ernest G. Swigert

"It is discouraging to see the Government spending more and more on its domestic programs, where economy should be achieved," Mr. Swigert said. "The big increases since 1955 are not in military spending as many people believe."

The NAM President said that the President's 1958 budget (including the highway program) is practically $9 billion above that for fiscal 1955. Of this huge increase, he pointed out, only $2.7 billion is in military spending. The President's proposed domestic spending for 1958 is some $6 billion greater than in 1955, he said.

"We are keenly aware," said Mr. Swigert, "of the tense world situation and the necessity for keeping this country both militarily and economically strong. But if we are not domestically strong, we shall never be able to discharge the responsibilities of international leadership which we have assumed.

"Only the most prudent Federal budgeting in all areas—a drastic pruning of unnecessary Federal expenditures—will make possible the reasonable reduction of taxes vitally essential to the growth of business, which means an America strong enough to resist any aggression and at the same time provide a higher standard of living for America."

Joins Marlo Inv.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Clarence N. Fulgz has joined the staff of Marlo Investments, 939 Oakridge Avenue.

William Williams Opens

William J. Williams has opened offices at 119 West 40th Street, New York City, to engage in a securities business.

E. R. Bell Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Betty K. Bell is now with E. R. Bell Co., 4627 Wornall Road.

Bottenstein Opens

YONKERS, N. Y. — Albert D. Bottenstein is engaging in a securities business from offices at 30 South Broadway.

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Canadian market is some 40% greater than it was before the war, and, of course, individual purchasing power is substantially higher. This rate of growth seems certain to be at least maintained. Competent estimates for the end of 1957 put the population at some 16,800,000 people. Nor does there seem to be any doubt about the capacity of the Canadian economy to cope with such a rapidly rising population. During 1956, Canada absorbed 150,000 immigrants and, in the same period, 250,000 new jobs were created in industry.

All year-end forecasts this time are, understandably, influenced by that most important Canadian document, the Report of the Royal Commission on Canada's Economic prospects. This has certainly confirmed, for the long run, the optimism most of us feel about the short run.

The last few years have seen the beginnings of a new phase in Canadian economic development. For six or seven years after the war, a great deal of our effort was directed toward discovery and production of our raw materials. More recently we have begun to develop new industries geared to put these material resources to the service of the people of Canada.

I have in mind such projects as the construction of the St. Lawrence Seaway and Power projects; the oil and natural gas pipelines which link the resources of the western prairies with the great Canadian market centers; the expansion in our refining and metallurgical enterprises and the like.

These developments have served to integrate the Canadian economy, and have, I believe, made us less susceptible to the uncertainties of international politics and economics than we have been in the past.

This is not to say that we are in a position of economic independence of the rest of the world. No nation is wholly in that position, and Canada's tremendous productive capacity and relatively small consuming capacity makes it perhaps as vulnerable as any western nation. Nevertheless our position in this respect has been considerably improved as a result of these developments.

Possibly the most important grounds for optimism about Canada's future is the growth of a national self-confidence. Canadians have seen that they can, on their own, successfully take on, and complete, major economic undertakings. We no longer think of ourselves as the younger brother, and as a result are ready and eager to accept new challenges. And in this country, there is no lack of challenge.

H. R. JACKMAN

President, Dominion and Anglo Investment Corporation Limited

Rather than compress in a few words the 1957 outlook for investment and trade in Canada, may I confine my remarks to two or three fields where businessmen may find attractive employment for their capital in a country still subject to vigorous economic development.

H. R. Jackman

First and foremost is Canada's development of oil and gas reserves. This is a field where substantial rewards await the patient investor. In Western Canada over three billion barrels of oil have been discovered but in view of the extent of the sedimentary basin and by analogy with U. S. experience, reputable geologists have no hesitation in going on the line for an eventual 25 billion barrels.

Those oil development companies with adequate technical know-how, adequate cash resources and a share of good luck, should produce very satisfactory results for their shareholders. Starting with Imperial Oil (57), an integrated oil company, and which might be described as "creeping prosperity," and including such companies as Great Plains Development Co. of Canada (43), Bailey Selburn Oil & Gas (20), Central Leduc Oils (8.00), a diversified interest in the petroleum and national gas reserves of Western Canada is not without interest. Finding costs are proving to be lower in Canada than in the U. S.

There are two main arterial highways along which the known and projected oil reserves must move. To the East and serving largely domestic markets is the Interprovincial Pipe Line. Petroleum consumption in Canada is growing at about double the rate in the U. S. Interprovincial has many of the aspects of a utility in a fast-growing market. To the West is the Trans Mountain Oil Pipe Line, the market for whose oil is largely in the U. S. and for marine export. It is the more vulnerable of the two lines but also offers greater expectations.

Coupled with oil development is frequently that of gas. Western Canada, with until recently little incentive to find gas because there were only prospective markets and no pipe lines, has discovered 23 trillion cubic feet. Trans Canada Pipe Line and Westcoast Transmission Company are already under way and soon markets will be served and revenue both to the pipe lines and to the gas producing companies will be available. To some companies sales of gas may be more important than sales of oil. Permo Gas and Oil ($2.75) is an example of a primary gas producer which is not without interest.

Petrochemical industries will also increase, all of which points up the need for a greater population in Canada, and thereby a greater domestic market. For rapid resources' development over the short-term, we must look to export markets and the continuation of the satisfactory conditions in the U. S. and abroad.

Some years ago a friend in Switzerland replied to query regarding the long hours that even bankers worked, "We have nothing under the soil therefore we must work very hard." Canada has already harnessed most of its readily available hydro electric resources. Already there is an abundance of energy in the form of hydro-carbons other than coal. Now of imponderable importance is uranium. The quality of the uranium ore reserves is first-class and the quantity vast. The application of uranium derivatives as a source of power is likely to become more competitive commercially with other sources of energy. How much uranium will ultimately be required is apparently still an open question.

Government contracts are sufficient to amortize by 1962 the capital costs of the large Canadian producers. The equities in some of the companies are already selling for several times the bond issues, representing cost. Notwithstanding these considerations, if uranium as a source of energy can be made competitive with other sources, then a small share in such a storehouse may well be deserving of a place in the businessman's portfolio. In the meantime uranium bonds give a yield of 6½%.

Nickel, of which Canada supplies 80% of the free world's requirements, remains in short supply. Two of our other chief exports, aluminum and newsprint, will soon no longer find themselves in a seller's market. Even an expanding steel industry cannot cope with requirements of a country whose Gross National Product increased in 1956 by 11% or whose capital expenditures amounted to $8 billion compared with $36 billion for the U. S.

House building will receive a cutback and, if the Bank of Canada can offset popular demand, so will the increasing rate of instalment selling. Profit margins may suffer a further squeeze and at present levels the general run of industrial stocks in Canada do not offer the same attraction as in recent years.

Adverse international situations could have a severe impact on the economy of a country as dependent on foreign trade as is Canada. In the words of Canada's Minister of Trade and Commerce, the Rt. Hon. C. D. Howe, who has been a reliable economic mentor for many years, "The current economic upswing, though now in its third year, gives no indication of general vulnerability. The indications are that over-all demand will remain strong in 1957."

J. G. HUNGERFORD

President, National Trust Company Limited

The annual statements of Canadian trust companies will again reflect the buoyancy of the economy in 1956. New peaks will be reached in the total of assets entrusted for administration. A sustained level of stock market trading and a record volume of corporate borrowing have contributed to a year of great activity. Despite rising costs, profits will probably show an upward trend.

J. G. Hungerford

There is little evidence to indicate that tight money policies will not continue for most of 1957. This will probably mean a further contraction in the supply of funds available for mortgage investments and a lower level of housing construction.

The tax disadvantages which stood in the way of the distribution of more than 5% of the shares of Canadian subsidiaries of United States parent companies will shortly be removed by a Canada-United States treaty. Canadian trust companies stand ready to assist American corporations in the matter of listing shares and in providing stock transfer facilities in Canada.

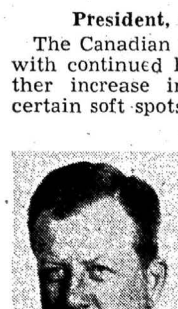
It is expected that the very substantial flow of funds to Canada from outside sources will continue in 1957, and much of these will be received by the trust companies for investment in Canadian equities.

While business-wise 1957 may prove less sensational than the two years which preceded it, it should nevertheless be a year of relatively high activity in almost all sectors of the Canadian economy.

E. H. LaBORDE

President, Canadian Homestead Oils Limited

The Canadian forecast for 1957 is generally optimistic, with continued high rate of capital expansion and further increase in Gross National Product. There are certain soft spots in the economy of our nation, varying to some degree with local problems.



Edward H. LaBorde

The oil industry as a whole will continue to grow at an unprecedented rate. The growth of this industry will play a major role in the $45 billion growth with in the next 25 years as forecast by a recent Government commission. In the past decade, Canada has enjoyed an economic awakening that has approximately tripled Gross National Product from around $10 billion to a forecast of $30 billion in 1957. This growth is primarily the result of oil and gas exploration that has now made this industry the leading mineral industry in Canada.

Construction of Canada's first "big inch" gas transmission lines was started in 1956 and will commence deliveries eastward in 1957. Completion of West Coast Transmission Company's line across the Rockies to Vancouver and the United States border will commence the flow of gas westward the fall of 1957.

The exploration programs for 1957 could be slightly less than that of 1956. The expansion of transportation facilities is expected to drain off portions of funds normally available. The Canadian "tight money" policy with its ensuing high interest rates has frightened a segment of the independent producers seeking public funds. However, the most discouraging feature for the independent is the Canadian income tax regulations, or lack of same, which consistently discourages some Canadian capital investment. Added to this is the unfavorable depletion allowance as used in Canada. This Canadian depletion allowance makes it difficult for the Canadian independent to compete with the American independent or corporation.

The American investor has an advantage in Canada, due to the principle and application of Canadian tax law. The Canadian may not participate personally, or operate as an individual, in oil or gas exploration, and write off such expenses. The individual here has to treat dry holes as a capital loss and since theoretically the Government claims they do not tax capital gains, an individual cannot expense capital loss. The only remaining avenue available, therefore, is purchase of speculative securities and here again, recent court rulings and actions of the Canadian Department of National Revenue have had the effect of ruling out any incentive for speculative undertakings. Canadians desiring to participate in the development of the petroleum industry are therefore limited to development of capital investments. This of course is not true in the case of the Canadian mining industry, which for some reason our Government seems to look upon with far more favoritism than the oil industry, despite the fact that the latter is now the number one wealth producer in the field of minerals.

In North America the independents have always served a useful function in the discovery of new oil and gas reserves. Because Canadians find it so difficult to place risk money in their own oil search, American capital is filling up the vacuum created, by stepping up their risk expenditures in Canadian oil and gas. This has been one of the factors contributing to the large flow of American capital into Canada. This condition is likely to persist until there is a change in Canadian tax law, which does not appear imminent, judging from the incumbent Government attitude.

The proven successful method of having legislation changed is that of lobbying by a strong group. Unfortunately, the only strong group to emerge out of our new-found industry is an association dominated by representatives from major American oil companies who are quite satisfied with Canadian tax and depletion laws, in that they have the advantage of using their American depletion allowances and income tax benefits to compete with the Canadian independent, with a very cheap U. S. dollar as compared to the Canadian's hard dollar.

The disadvantages our Government places on its own people will not interfere with the growth rate of the oil and gas industry. It can go only one way—ahead.

L. F. LONG

President, Building Products Limited

Canada has a National Housing Act and a system of insured mortgages on residences somewhat similar to the FHA in the United States. Canada's law is administered by a crown corporation, Central Mortgage and Housing Corporation. Recently a Royal Commission, known as the Gordon Commission, sat in various parts of the country to accumulate data and access Canada's prospects for the next 25 years (to approximately 1980). The Central Mortgage and Housing Corporation presented a Brief to and testified before this Commission. Their submission probably represents the most authoritative forecast in the field of housing that is available. This forecast is based on the attainment of a population of 26.5 million by 1980 compared to present population of approximately 16 million. The forecast is based primarily on net family formation, but takes some account of rising housing standards and slum clearance. It forecasts average annual rate of housing unit completions by five-year periods as follows:

1956-1960	94,000
1961-1965	110,000
1966-1970	134,000
1971-1975	162,000
1976-1980	180,000

Actual completions for 1955 and 1956 were approximately 130,000. The trend of starts is presently downward, and 1957 will probably show a decline from the last two years. However, it is believed that the rates forecast by Central Mortgage and Housing were extremely conservative, did not allow for as much immigration as will probably occur and above all did not allow for the expansion of demand which occurs with rising national and individual incomes.

Foreign capital is flowing into Canada rapidly from all parts of the world and must be accompanied by corresponding inflow of labor. This is occurring in the

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upward again, some easing in production later in the year would not be surprising.

Deterrents to Capital Outlays

A resurgence of expansion programs, however, does not seem likely. In fact, there is quite an impressive list of deterrents to further steep increases in capital outlays. Costs of construction and equipment are up sharply, corporate liquidity has declined, and credit is not only more expensive but less freely available. Also, except for a few basic commodities, such as nickel, steel plate, structural steel and oil country goods, raw materials are no longer in short supply, and productive capacity is now abundant for every major class of consumer goods — homes, automobiles and appliances as well as textiles. Indeed, industrial capacity is growing so rapidly that questions are being raised as to whether it may not become excessive in the not too distant future. Finally, the squeeze on corporate profits is another important deterrent to further ambitious expansion programs.

Nonresidential Building — Outlays on private nonresidential building are expected to continue high in the aggregate, but here too, some important components may be topping off. New contracts for commercial building, as in the case of industrial biulding, have for several months been running below the comparable period a year ago, reflecting the influence of higher costs, tighter credit and the increase in facilities, with suburban shopping centers as a prime example.

For the time being, the large backlogs of projects, together with delays in construction occasioned by shortages of structural steel, provide considerable assurance against any sharp decline in expenditures. A tapering off in the long-sustained growth in this sector of economic activity, however, seems a reasonable expectation at this time, although the record of dollar outlays will presumably receive some support from the continuing rise in construction costs.

Residential Building — In the outlook for residential building, the availability of funds for insured and guaranteed mortgages appears as a factor of strategic importance. Houses financed under FHA and VA have been the volatile element in residential building, whereas housing starts financed under conventional mortgages have been surprisingly stable in the past five years, fluctuating within the narrow range of 620-660 thousand units annually. Furthermore, the spurt in residential building in 1954 and 1955 was due entirely to a sharp increase in the number of starts financed under government insurance or guarantees, reflecting the willingness of investment institutions to make large amounts of funds available for mortgage financing at a 4½% rate, with maturities up to 30 years and with nominal—and in some instances negative — down payments. Likewise, the decline from 1.3 million starts in 1955 to 1.1 million last year was due to a sharp drop in starts financed under government programs.

In part, last year's sag in housing starts was a natural reflection of conditions in the investment markets. Investors had ample outlets for funds at returns above what could be realized on government-insured or -guaranteed mortgages. Moreover, the housing market appears to have weakened somewhat; prices of old houses have sagged while the cost of new homes has increased with higher outlays for land, labor and materials. Also, some builders have shifted out of the production of homes for the mass market.

Downward Housing Trend

The trend in residential building is likely to remain downward over the next few months, at least. Applications for FHA-commitments and requests for VA appraisals, generally regarded as harbingers of residential starts in succeeding months, have declined markedly below the levels of a year ago. Also, surveys of builders' plans show they are scheduling fewer houses than in the spring of 1956. Consequently, a decline in the yearly rate of starts below one million seems probable in the months ahead.

The prospect of a further sag in residential building has already resulted in an increase in the rate on FHA-insured home mortgages from 4½ to 5%, and a higher rate on VA-guaranteed mortgages has been under discussion for some time. Also, efforts will probably be made to have the Treasury provide additional funds, by one device or another, for home mortgage financing, although the amounts, the terms under which the funds will be made available, or the impetus that may be given to residential building are all uncertain. Outlays on residential building, however, will presumably be supported by a continued increase in expenditures on repair and modernization and by a further advance in the average cost of the home.

In 1957, as in 1956, therefore, residential building will probably decline further, with starts off perhaps by as much as 15%. The course of the economy and government policy will probably determine whether the sag will continue throughout 1957, or whether activity will stabilize or even improve toward the end of the year, but another major boom in residential building does not appear in prospect for some years to come.

Business Inventories and the Consumer

Consumer spending was generally well maintained in 1956, although it did not repeat the sharp advance of 1955. Also, part of the rise in dollar sales in 1956 reflected higher prices and an upgrading in quality; the increase in physical volume was rather modest. Spending on durable goods declined somewhat more than 5% last year, largely as the result of lower demands for passenger cars; sales of other consumer durable goods generally advanced. Retail sales lagged somewhat in the earlier months of 1956 but improved in the closing months.

Consumer Spending Prospects — Personal income has been climbing steadily under the twofold impetus of high employment and rising wage rates, and further increases are in prospect. A steady rise in outlays on nondurable goods and services seems indicated, in line with higher population, incomes and prices, but the crucial factor is the market for automobiles and other durable goods.

Auto Sales Outlook

News concerning the automobile market has turned less optimistic in recent weeks in view of the greater resistance being encountered in sales of medium-priced models. The 10% increase in the domestic market for passenger cars generally anticipated in 1957 apparently reflected the hopes tied to the new models, the rise in personal incomes, and the fact that buyers have had time to reduce the indebtedness incurred in the auto splurge of 1955. In addition, the well-sustained market for used cars appeared as a favorable sign. However, it seems

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form of Hungarian refugees, plus a greatly stimulated desire on the part of Western Europeans, including British, to immigrate since the start of the Middle Eastern crisis. The long-term outlook for house building is certainly optimistic.

Other classes of building, industrial, commercial, institutional, etc., continue to establish new records from year to year, and while the prevailing tight money situation tends to slow down the rate of increase it has not yet indicated a down turn. In any event, any such down turn would probably be in the nature of a temporary adjustment of the rate of construction to the available materials and manpower. It is hoped that this adjustment will occur before price inflation becomes too serious. All in all, the outlook for construction and construction materials in Canada is bright.

W. G. MILLER

President, Montreal Locomotive Works, Limited

During the year 1957, we expect increases ranging from modest to very substantial in the various categories of our business. Railway dieselization is proceeding at an accelerated rate and output of the diesel electric locomotive industry including that of our company will be at the highest levels yet achieved in Canada. Capital expansion plans in the petroleum refining industry indicate a continued high level of output of equipment. Expansion in the pulp and paper industry as well as in the St. Lawrence Seaway assure increased output by our company of pulp and paper machinery and equipment, heavy presses and fabricated equipment.


W. G. Miller

In the area of material supply, we expect our greatest problems to be the procurement of heavy plate and steel beams. The current demand is considerably in excess of the capacity of Canadian mills which, it should be noted, are proceeding with aggressive expansion plans. While ordinarily additional supplies are available from both the U. K. and the U. S., the high level of economic activities in these countries and the increase in demand caused by the Suez Canal closure have made the world supply of heavy plate and structurals very tight.

From point of view of costs, we expect increases in wage rates, following the trend which has continued for some years, and this in turn will be reflected in prices of materials and supplies. On the other hand, keen competition will continue to put a brake on price increases and manufacturers must meet the resulting problem through managerial efficiency and cost reductions to be obtained from improved methods, machine tool installations and the like.

Due to the current premium at which the Canadian dollar is selling, our competitive position in foreign markets is seriously adversely affected, particularly vis-a-vis U. S. manufacturers.

JOHN K. MACDONALD

President, Confederation Life Association

In 1956 economic activity in Canada again reached new records. The Gross National Product increased to almost $30 billion, up 11% over the preceding year. Of the 11% increase in our Gross National Product, in 1956 approximately one-third was due to increased prices and in the past two years over-all physical output has grown by about 16%, a very high rate.


J. K. Macdonald

Canadian economy has been stimulated by a very large capital investment program. In the past year this amounted to nearly one-quarter of the Gross National Product. This is one of the highest, if not the highest, rates of capital investment of any country in the world. There has been a large inflow of capital into Canada from abroad and possibly one-fifth of our current capital investment comes from this source, primarily the United States.

Forecasts for 1957 are again most optimistic. We can look for continued growth and capital development in our mining, natural gas, and oil industries and, of course, the development of the St. Lawrence Waterway will have important and beneficial effects on the Canadian economy in the future. But in view of the current high rate of activity with full employment, it is unlikely that physical output will continue to grow at the rate of the past two years.

With the rapid rate of population growth in Canada due to the high birth rate and a substantial volume of immigration in the postwar period, life insurance has expanded rapidly. Insurance in force at the end of 1956 reached a record of almost $30 billion. At the end of 1945 this figure was just under $10 billion.

New life insurance put into force in 1956 was approximately $4,100,000,000, an increase of about 19% over the amount put in force in 1955. Life insurance policyholders now number close to 7,000,000.

The life insurance industry contributes to the well-being of Canadians not only by providing personal and family security but also by mobilizing the small savings of many individuals and using them to finance the economic development of Canada. At the end of 1956 life insurance assets in Canada amounted to about $6 billion, an estimated increase over the previous year of about $360 million.

Canadians are very conscious of the value of life insurance and while the amount in force per capita in Canada is somewhat lower than in the United States, the ratio of insurance in force to national income is higher in Canada than in any other leading country. In 1955 this ratio for Canada was 128% compared with 111% for the United States and only about 50% for the United Kingdom and Switzerland.

Life insurance has been taking an increasingly important part in the over-all economic development of Canada. From the point of view of providing greater financial protection for individuals and businesses through the variety of insurance contracts being offered to the public to guard their different needs in the development of their standard of living and their business expansion plans. Also, as the amount of funds entrusted to our companies through the payment of premiums has increased so the investment of these funds has assisted in the construction of dwelling units, industrial plants, the providing of utility facilities for our growing municipalities and to a certain extent the development of the increased use of our natural resources such as oil, iron ore, uranium, and wood products.

Prospects for increased demand for life insurance seems assured in 1957, as our economy continues to advance, perhaps at a less rapid pace, and our population increases.

CLIFFORD W. MICHEL

President, Dome Mines Limited

To an industry that produces the metal Gold, by which the world's standards of monetary value have been measured for thousands of years, it is disappointing to have to report that the year past and the year ahead contain few elements that encourage men to increase their productive capacity in this field of endeavor. The gold mining industry of Canada—and elsewhere in the world—continues in a vise created by rising costs of production in a world that has not yet contained inflation, and on the other hand by a selling price which has been kept unchanged for a quarter of a century by reason of a monetary policy pursued by the United States Government.


Clifford W. Michel

The fact that world-wide production of gold — outside the Russian sphere — increased slightly in 1956 and will probably do so again in 1957, does not reflect the true economics of gold mining. The increased production that has taken place in recent years has come almost entirely from South Africa where production has been greater only because uranium, purchased under premium priced Government contracts, is recovered as a by-product of the gold recovery process and the price received for the uranium, in effect, creates a credit against the cost of producing gold. In Canada, where the gold bearing ores do not contain uranium, there was a small decline in gold production in 1956, and there is little likelihood of increase in 1957.

The Canadian miner, moreover, is further handicapped by the fact that the Canadian dollar, which had returned almost to parity with the United States dollar at the end of 1955, began to rise during the year, and at the year-end was at a premium of over 4%. As the Canadian Mint purchases gold from the producers based upon the rate of exchange between the U. S. and Canadian dollar, this results in a price close to $33.50 per ounce in contrast to the average price of $34.48 per ounce received during all of 1955.

The Canadian Government, recognizing the plight of the gold producer, did, during 1956, continue the Cost Aid program for another two years, until the end of 1958. While the terms of this Act provide no benefits to the low cost producer, it is helpful as a subsidy against part of the higher and rising cost of production for most segments of the industry, and should help sustain the over-all rate of production in 1957, not too far from the level of 1956.

While virtually all basic industries have been able to adjust their selling prices upwards to cover rising costs, and thereby sustain their profit margins, the gold industry has been denied this right by the policy of the U. S. Treasury, which represses every effort made in the International Monetary Fund, and elsewhere, to increase bilaterally the price of gold. Yet the U. S. Government and the other members of the Monetary Fund use Gold as the basis of their currencies. These currencies, and the trade they support, have grown tremendously since the end of World War II, both in physical volume and in amounts, reflecting the depreciation in their buying power. The value, however, of the reserves behind these currencies, has been left unchanged, and the reserves themselves are declining in relation to the amounts of credit and currency outstanding. If a sufficient base of credit is not kept available by all the Governments of the free world to sustain capital expansion programs, forces could be set off that would reduce the amount of international trade and create a condition where full employment did not exist. Should this arise, it would seem clear that a universal increase in the price of gold would become necessary to restore the base of credit that is needed.

HARTLAND deM. MOLSON

President, Molson's Brewery Limited

Prophecy is difficult enough at any time, and recent crises in various parts of the world make it even more so today. We in Canada cannot escape the tide of international affairs; yet the direction in which it is carrying us is far from clear. Often the one certainty seems to be uncertainty. It is therefore with some caution that I must speak, but I do suggest that we should never think in terms of a few months. Although we have studies covering the next five or ten years, let us confine ourselves to the current year.


H. deM. Molson

The Canadian economy pursues a dynamic course. Expansion continues without interruption even though the rate may vary from time to time. As far as we can tell, full employment appears assured. If present indications hold good, we should be able to take in our stride the higher wage and other bills we have to pay. In short there may be tremors on the surface, but deep down lies a solid foundation for more prosperity—for still greater progress in what a distinguished Canadian predicted would be Canada's century.

The brewing industry itself has made an auspicious start last autumn. Sales in October and November were ahead of the corresponding period of 1955 by a comfortable margin. The performance of our company has likewise been encouraging; our sales were close to the record previously established for the same two months. Naturally we have taken our share of the industry's extra business, but I should like to mention as well that in various ways we have made improvements in our sales organization. We have done so after careful study and planning, and it will take time before the full effects are felt. However, it is my impression that we are already beginning to reap some of the benefits.

There is a further word which I wish to add about the future. On several occasions we have called attention to competitive developments in the brewing industry. They are developments which have become increasingly acute and increasingly obvious over the last decade. They have made brewing one of the most competitive industries in Canada. They have driven advertising and selling costs to a point higher than ever before. They have inspired some methods and techniques which are unrewarding, if not actually undesirable. Nevertheless I wonder if they have not been allowed to assume an exaggerated importance. It is essential at all times to maintain a proper sense of perspective, and I feel that our shareholders should keep two facts constantly in mind. First, they are participating in an efficient and a very long established company; and, second, the company is a member of an industry which has existed since the beginning of recorded history. Against this background I think it would be a mistake to become too pessimistic because of any short-term phase in that history, and there should be no inference that we have any doubts about our ability to earn a reasonable dividend.

It is interesting to look at the last ten years' performance of our company, and I will try not to confuse the issue by too many figures. At the end of our fiscal year in September, 1946, the earned surplus account, which we now call "Earnings Retained in the Business," stood at $9,922,000. This year the corresponding figure is $29,150,000, that is a gain of $19,228,000. In 1946 working capital stood at $6,300,000. Since then we have spent some $27,000,000 in expanding and modernizing our Montreal plant and in building our new brewery in Toronto, and neither plant is encumbered by mortgage. In spite of this large capital expenditure, our working capital is $9,525,000 or $3,225,000 greater than 10 years ago. The equity behind each of our shares has also increased from under $7 to very nearly $20. It is true to say that during this period we have experienced growth more spectacular than ever before. At the same time our proportion of sales of the Canadian market is a realistic one, and I see no reason why it should alter materially to our disadvantage.

In more recent years I have quite often been asked by some of our friends if we were going to continue building up the amount of "Earnings Retained in the Business," and not consider paying out a larger proportion of profits to the shareholders. So far the answer has been very simple—during the period of our great expansion and modernization, we felt it essential to maintain as strong a cash position as possible.

Although we will spend substantial sums on capital account every year, either for modernization or perhaps expansion, I cannot foresee extremely large sums being required as has been the case over the last decade. As is generally known, in recent months capital has begun to be paid a more realistic return for its use. This is reflected in interest rates which have, at last, altered drastically. During the long period that the return on capital remained more or less static, all cost elements underwent great changes. For example we paid $1.12 a bushel for malt in 1946; this year the price is about $2.00. Our basic wage rate was then about $33.00 per week; it has risen year by year until it is now $72.00 per week. For the last six years our divi-

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that automobile prices have been raised in about the same proportion as the increase in personal incomes and that dealers are insisting upon larger profit margins. Moreover, there is little prospect of an easing in the terms on instalment financing for some time ahead.

Those who are most conversant with the automobile market emphasize that a realistic appraisal cannot be attempted for another several months. In the meantime, perhaps one should hold to the view that the domestic automobile market will probably be as good as in 1956 but may fail to show the increase anticipated some months earlier. In addition, a conservative view of the market for other consumer durable goods seems justified, especially since a further decline in residential building is in prospect.

Business Inventories — Business has been adding to inventories for more than two years; and lately stocks have been rising faster than sales. During the past year, for example, manufacturers' inventories have risen **by about 12% while sales have increased** by about 5½%. Part of the increase in the amount of inventories carried reflects, of course, higher prices as well as more production time required on long-lead items of industrial or military equipment. Stock-sales ratios are not unduly high, judged by past standards, but the situation is less favorable than it was a year ago. As a generalization, it may be said that business inventory positions seem to range from comfortable to liberal but that their record totals make them vulnerable to any slowing of sales. And with productive capacity large and expanding, the greater risk is that inventories will become too high rather than that they will prove too low.

Steel Production Cutbacks

Considerable diversity exists in the inventory positions of various types of goods. Stocks of television sets, some home appliances and building materials are clearly excessive, as evidenced by recent cutbacks in production. On the other hand, dealers' stocks of new passenger cars at the beginning of the year were some 200,000 units below a year ago. Nevertheless, automobile sales will either have to display greater vigor than in recent weeks, or the tentative production schedules of 1.8 million units set for the first quarter of 1957 will have to be trimmed if inventory growth is not to become burdensome in the months ahead. Shortages of steel products are widely publicized but are apparently limited primarily to plate, structural and oil country goods. Stocks of sheet steel and most other steel products appear adequate and are growing rapidly. Within a few months, unless demands soar, steel inventories may approach the peaks of mid-1956, just before the steel strike, and some cutback in steel production would not be surprising.

Government Spending

Spending on all levels of government is in a rising trend which seems assured throughout 1957 and beyond. Spending by the Federal Government, after remaining fairly level for about two years, turned upward in the latter half of 1956 and further advances are indicated. The Suez crisis has given added impetus to demands for higher outlays on national defense and foreign aid. Domestic economic and social programs are becoming more expensive and prosperity has generated demands for more public works, even though the cause of economic stability would better be served by cutting back such outlays instead of increasing them further. Moreover, the Government is not immune from the effects of higher prices and interest rates. Thus, the only question is how fast the rise in expenditures may be expected to proceed.

The recent Budget Message has elicited some critical comment but it is probably unrealistic to expect the Congress to prune the budget to any important extent; the pressures for higher outlays are too widespread and too potent. Perhaps a better hope is that the President will exercise his authority to hold down the rate of spending wherever possible. Assuming no further deterioration in the international situation, Federal spending in the calendar year 1957 may increase by some $4-5 billion, and the budget in that event could still show a cash surplus, although one smaller than the $6½ billion achieved in 1956. On balance, therefore, the Federal budget may continue to provide some offset to inflationary pressures, but probably less than in the year just closed.

Spending by state and local governments has been rising steadily, year after year, in response to urban and suburban population growth, higher costs, rising outlays on public construction, and demands for more services and facilities generally; a record $2½ billion of new borrowings was approved in the elections last November. Construction outlays by state and local authorities are expected to increase by perhaps $1½ to $1¾ billion in 1957, and total spending by about $3 billion.

Corporate Profit Prospects

The recent record has again demonstrated the sensitivity of business profits to relatively moderate changes in the economic environment. In the early phase of the business upturn, when industrial production was rising rapidly and inflationary forces had not yet caught hold, corporate profits increased dramatically, posting a gain of almost 40% from the third quarter of 1954 to the close of 1955. In 1956, however, when the rate of production growth slowed down and costs began to rise materially, corporate profits were squeezed. The latest official estimate of profits is for the third quarter of 1956 and shows a decrease of 12½% from the end of 1955.

The deterioration in business profits probably reflects a variety of factors. Sales of important products such as automobiles, farm machinery, building materials and textiles have fallen off. In addition, profit margins, especially of the larger manufacturing companies, have been under increasing pressure since about mid-1955. The steel strike, finally made inroads upon earnings, especially in the third quarter of last year. Toward the end of 1956, profits and profit margins may have registered some improvement, but it is doubtful whether either fully recouped the decline from the high mark of 1955.

Continuing Pressures On Profits

Furthermore, pressures on business profits are continuing. Costs are still rising, and will increase further with the higher wage bills resulting from cost of living adjustments, annual improvement factors, negotiated increases and a tight labor market. Also, more competitive market conditions are

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dend has been constant at a rate of $1.20 per share per annum.

In the circumstances I think it is appropriate to mention one item which the directors decided to place on the agenda for their meeting after the New Year. This item is consideration of an increase of 20 cents per annum in our dividend. You will gather from what I have just said that such a move would, in our opinion, be justified and well within the resources of the company. Naturally it will have to receive the unanimous approval of the Board—but, curiously enough, I do not expect to hear any sounds of dissent at this meeting!

R. S. MUNN

President, Burns & Co. Limited

Canada has just completed a year of unprecedented economic expansion and there is evidence that the present prosperous conditions will continue throughout the year 1957. The rate of expansion in the current year, however, will be on a smaller scale, probably half that of the previous year, or about 5%.

R. S. Munn

The meat industry has shared to some extent in the prosperity although, as was to be expected, not on the same scale as some other industries.

Until 1953, dollar sales of the meat packing industry were exceeded only by the pulp and paper industry. In 1953 and the years following, automobiles and non-ferrous metals have forged ahead leaving meat in fourth place. This is not unusual in a country that is rapidly becoming industrialized.

There is every indication that Canada's total commercial livestock and meat output for 1956 will be the largest for any peace-time year, and second only to the record war-time peak reached in 1944 when exports were 800 million pounds, or 40% of total production. The outstanding feature of the 1956 meat situation has been the facility with which near record supplies have been absorbed in the domestic market. Exports are not expected to exceed 85 million pounds.

Increasing population has been an important factor in meat consumption and is expected to be so for many years to come.

Greater per capita consumption has also had an important effect upon meat volume. There has been a steady increase over the years and it is interesting to note that while per capita consumption in the period 1935-1939 was 110.6 pounds, it reached 151.5 pounds in 1955 and will advance again in 1956.

While hog marketings are currently below those of a year ago, the reduction in volume is more than offset by greater cattle marketings and total meat production in 1957 will at least equal, and probably exceed, that of 1956.

Export of meat overseas has been but a trickle in recent years and there is little promise of a revival of this trade in any substantial volume in the immediate future. The United Kingdom, which has been an important export outlet in the past, is short of dollars and, in an event, can purchase to greater advantage in the sterling area. High level of prices in Canada and the expanding domestic market also precludes any important overseas trade.

The meat trade between Canada and the United States has been small in the last two years, but this is a situation than can change very quickly. Markets in the two countries have been at such levels that movement either way in any volume has not been profitable after allowing for duty and the cost of transportation.

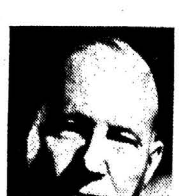
The experience of 1956 will probably be repeated in 1957, and domestic consumption, with the aid of a comparatively small volume of export, will result in a good balance between supply and demand.

Canada's potential production of meat, however, is enormous and quite capable of meeting the requirements of a steadily increasing population.

JAMES MUIR

Chairman and President, The Royal Bank of Canada

As 1957 commences there are few signs of any let-up in the boom which the Canadian economy has been experiencing for the last year and a half and which made 1956 such a prosperous year for Canada. Most economic aggregates, such as Gross National Product, capital expenditures, exports and imports and employment, were higher than ever last year.



James Muir

The main factor behind the present boom is the very high rate at which capital expenditures are being made in Canada. Last year they amounted to more than one-quarter of Gross National Product. Fortunately, our large investment program has not yet resulted in any serious inflation but it has exerted considerable pressure on domestic supplies of materials and equipment and of skilled labor. Monetary restraint can perhaps claim some credit for keeping the boom partially under control but a more important factor has been the ability of the country to tap foreign sources of supply. Greater recourse to foreign markets last year, especially the United States market, for a wide variety of items, but particularly machinery and equipment, enabled the economy to realize a faster rate of growth than otherwise would have been possible. Capital inflows of a long-term nature, reflecting a very high rate of nonresident investment in the Canadian economy, permitted the growing deficit in our balance of trade to be easily financed and at the same time helped to maintain the foreign exchange rate for the Canadian dollar at a high level.

Other signs of the boom in Canada, in addition to our balance of trade deficit, are not difficult to find. After four years of price stability prices have begun to rise, at both the wholesale and retail level. Interest rates and security yields have also been rising and now stand at higher levels than they have for many years. Whether these trends will persist in 1957 depends largely on the investment boom. How much longer can such a high rate of capital expenditures as Canada has enjoyed continue? The answer appears to be at least for 1957.

So great were investment intentions in 1956 that not all could be realized. As a result there was a great short-fall in the realization of investment intentions producing a larger than usual carry-over of incompleted or temporarily postponed capital projects into this year. The carry-over is sufficiently great to lead forecasters to believe that capital expenditures in 1957 will be 10 to 15% greater than those realized last year.

This will not necessarily mean a corresponding increase in the pressures on our productive facilities. Much new capacity will result, and indeed much already has, from the investment programs of the last year or so. Consequently, available supplies will be greater in 1957. However, it seems reasonable to expect that much of this new production will go either to expand exports or replace imports leaving little to increase the over-all supply of materials on the Canadian market. Although there may be some alleviation of material shortages, supplies will not necessarily be plentiful.

Likewise, the demand for labor is likely to continue to press upon the supply and to perhaps a greater extent than last year. The special circumstances which enabled the industrial labor force to expand in 1956, by shifting workers from agricultural to non-agricultural activities, by increasing the participation ratio of the population in the labor force, and by reducing the ratio of unemployed, are no longer a possibility for 1957.

Thus, the prospects for the Canadian economy in 1957 appear to be for a continuation of those pressures which already exist. There will likely be further expansion in 1957, but in physical terms it may not perhaps be as great as that experienced in 1956, and possibly price levels will rise a little more than they did last year.

S. C. NICKLE, SR.

President, Anglo American Exploration Ltd.

With few reservations, it is difficult not to be optimistic in forecasting Canada's business outlook in 1957.

The Gross National Product of the past year surpassed all expectations and there is every reason to believe that a further increase may be expected in the current year. The surplus of agricultural products will undoubtedly represent one of Canada's major economic problems in 1957 as it has in the past few years, however, with grain sales and farm cash income both on the up-grade, this situation may well improve this coming year.

S. C. Nickle, Sr.

The short supply of Canada's labor force and credit restrictions represent the principal repressance in the nation's business forecast in 1957. However, projected capital expansion would seem to indicate that our industrial growth will still exceed last year's record total.

Canada's oil and gas industry should again record spectacular advances in the next 12 months, both in exploration and oil production. Influenced by the present tight money policy, capital investment will likely remain on a parity with 1956 outlays, however, the nation's oil production should reach upwards of 567,000 barrels per day. Actual production will, however, be influenced by world market conditions and Canadian refinery expansion program.

Over-all investment should equal the 1956 record of $700 million spent on exploration, development, land, pipelines and refineries, with gas and oil pipeline construction helping to offset a possible curtailment in exploration and development expenditure.

The petrochemical industry will make another significant step with the completion of new facilities in 1957, and the movement of natural gas east as far as Winnipeg and west to the Pacific Coast will unquestionably prove to be the highlight of Western Canada's 1957 economy.

In review, it would appear that the Canadian business outlook is still very buoyant, and that the nation will continue to enjoy a high level of prosperity in 1957.

J. A. PAGE

President and General Manager, Southern Canada Power Company Limited

The Southern Canada Power Company is a relatively small utility organization with a service area of 6,000 square miles located in the southern section of Quebec Province. We generate and distribute hydro-electric energy to 81,150 customers, with a peak load of 159,150 K.W., and annual K.W.H. sales of 783 million for 1956. The above figure represents a 16.5% increase over 1955; following an average annual rate of increase of approximately 10% for the past 10 years. We attribute this progress to several important factors: basically,

J. A. Page

(a) The God-given privilege of operating under the private enterprise system;

(b) Long range planning with emphasis on Canada's changing economy and especially the territory served by our Company.

Our continuous efforts in promoting the use of electrical energy in home and industry has had a profound influence on raising the standard of living throughout an area which relied entirely on a fluctuating agricultural economy.

With no reliable means of support for the young men and women of this heavily populated section, we experienced a serious exodus of valuable manpower to the bordering states of New England. To rectify this situation, our Company initiated an active Industrial Development program, one of the first in Canada, dating back to 1920.

The results have proved most gratifying to our Company, as well as the many communities we serve. Many thousands have secured gainful employment with the 700 diverse industries now operating in our territory. Normal expansion of industries, plus new ones being added each year, assures us a progressive cultivated growth.

The success of our industrial promotion was dependent on the favorable conditions to satisfy the requisites of prospective manufacturers. Our abundant labor force, predominantly of French-Canadian origin, can be relied upon to produce a full day's work for a day's pay, and is not easily swayed by the adverse influence of increasing labor demands in other parts of North America.

Despite the rapid advances in industrial technology, including automation, the present and future success of any enterprise is still dependent on people. The natural increase in growth of population in our service area is well above any other part of Canada. In full recognition of this, we continue to promote new development of industry and commerce for the benefit of those we serve.

Barring any major international upheaval, I anticipate further aggressive growth through the year of 1957. As an operating Power Utility company, the Southern Canada Power has adequate long range plans to serve the needs of our present and future customers.

WILLIAM H. PALM

President and General Manager, Hinde and Dauch Paper Company of Canada, Limited

That the next quarter century will see an extensive economic development and substantial industrial expansion in Canada is the only conclusion which one can reach after careful analysis of all factors which may bear on this country's future situation. We at Hinde and Dauch have been convinced for sometime that such will be the case and, accordingly, have laid plans for the continued growth of the company. The demand for paperboard and products made therefrom in the Canadian markets has increased substantially and steadily in past years and a continuance of this kind of progress is envisaged as Canada's population increases and as new uses continue to be created for the materials which we produce. Thus, the long-range picture is a most encouraging one for our segment of the pulp and paper industry.

Turning to the short-range position, we believe that during 1957 the demand for our products will be firm, even though the restraints presently being applied to the economy may adversely affect activity in certain fields of business.

Notwithstanding these optimistic signs, a strong market will be needed if the rate of output experienced in the recent past is to be maintained through the current year, since very substantial amounts of productive capacity have been added to the industry, much in excess of those required to meet current needs as well as those of the near future. Competition will continue to be very keen. Thus, the introduction of any new major components for the industry must be properly timed to prevent the serious dislocations which can result from excessive production.

There is every evidence that inflationary pressures will continue during 1957 and rising costs will be prevalent from many directions. The most effective weapon which industry can use to stem the impact from that development is the improvement in productivity of its working force. Our efforts, and we believe those of all industrial organizations, should therefore be keyed to concentrate unusual attention in that direction.

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The Business Outlook and Credit Shift Possibilities

likely to lead to higher sales promotion costs. Rising productivity is generally regarded as an offset to higher costs, but for the economy as a whole, productivity apparently did not advance importantly in 1956; since new plants entail increased capital costs and frequently a fairly long break-in period before operations become efficient, productivity increases may continue to be of relatively minor importance for the profit picture in 1957.

In an effort to meet rising costs, business in recent months has been marking up selling prices. It is still too early to judge whether such price increases will fully compensate for advancing costs and whether higher prices can be maintained in the face of growing capacity and intensified competition. On balance, the pressure on profits and on profit margins seems likely to continue in 1957. The lesson of 1956 is that the wage-cost-price spiral does not benefit enterprise in the aggregate, but rather puts the squeeze on business in many respects. This spiral is still operating and it has adverse implications for corporate profits in the year ahead.

The Role of Credit Policy

Credit policy received growing attention in the course of 1956 as expanding business and rising prices were accompanied by increased credit restraint. The belief is sometimes expressed that Federal Reserve policy has led to a shortage of credit which might generate a decline in economic activity. Reference is made to the record of 1920, 1929 and 1937, when tight credit was followed by a sharp business downtrend. It is doubtful whether tight credit conditions brought on these downturns. Also, there is little evidence today that large amounts of short-term credit are being used for speculation in commodities, as in 1919-1920, or in common stocks, as in 1928-1929. Also, credit restraint is probably being handled more carefully and cautiously than in 1937, while the boom in producers' durable goods is demonstrating impressive stamina and momentum. A sharp decline in business activity as a result of credit policy is not a realistic prospect today.

Credit and Investment Activity —Credit restraint has not shut down the supply of bank credit; the large increases in bank loans in 1955 and 1956 seem to be conclusive evidence on this point. Rather, Federal Reserve policy, fortunately, has led to some curtailment in the amount of funds made available to carry securities; it has made banks less willing to engage in term lending or to finance acquisitions of capital assets. The banks have tried to husband their lending resources for the financing of commerce, industry and agriculture.

It has also been argued that the reduced availability and higher cost of credit will mean some delays or cancellations in construction and equipment projects which, in turn, could contribute to a decline in business activity later this year or in 1958. However, while credit policy is exercising some restraint upon investment programs, demands for investment funds are still running ahead of savings, many important investment institutions are largely committed for the present year, and some commitments extend into 1958 and even into 1959. Moreover, business plant programs include a high proportion of long-term projects that will require several years for completion.

Against Easy Credit Shift

The fact is that as of the moment the American economy is still in a tremendous investment boom, and while some signs suggest the possibility of a topping off in important sectors of activity in the course of 1957, at present the economy is still operating at record levels, and inflationary pressures still seem to have the upper hand. The danger of excesses has not yet evaporated; until a general easing develops in the rate of investment spending, conditions are not propitious for a shift toward an easy credit policy.

The Liquidity Problem — Another risk currently under discussion is that a restrictive credit policy may c u l m i n a t e in a scramble for liquidity on the part of the commercial banks, a calling of loans, forced liquidation of assets, and a general crisis in credit and money markets. Specifically, there is some concern regarding the impending tax squeeze next March and the strain it may impose upon the financial system, especially in the light of reduced liquidity of banks and business corporations.

Restraints Eased By Fed.

However, although bank liquidity has declined appreciably in the past two years, there is little evidence of worry on the part of bank managements or any signs of impending widespread pressure for loan liquidation. In fact, the liquidity positions of the commercial banks have improved in the past month or two as the result of an easing of restraint on the part of the Federal Reserve. The authorities are fully aware of the tightness of credit and the reduced liquidity of the commercial banks, and are mindful of the heightened need for caution in the use of credit restraint. While corporate borrowings to meet income tax payments in March are expected to be large, the commercial banks will be able to provide credit, and will do so even if this i n v o l v e s increased borrowings from the Federal Reserve banks. The latter, in turn, will hardly close the discount window under these conditions. Thus the March tax date should pass without major unsettlement in the money market.

Summary and Conclusions

While 1957 opens at peak rates of economic activity, the year is inheriting some of the mixed trends which prevailed in 1956. The investment boom in the aggregate is still going strong. Also, government spending is sure to increase more this year than in 1956, and substantially more than one-half of the increase will be expended on durable goods. Consumer spending is expected to continue to rise but prospects for a resurgence of spending on automobiles and other durable goods seem dubious. Business inventories appear liberal, and no further important lift to business from additional accumulation is likely. In fact, since productive capacity is growing rapidly, an overappraisal of market potentials could well lead to excess inventories within a fairly short time.

Despite the diversity of these prospects, there is fair assurance that the output of goods and services in 1957 will probably exceed by perhaps 3 to 5% the $412 billion currently estimated for 1956; the annual rate in the fourth quarter of last year was already close to the $425 billion mark, and rising prices will further add to the dollar value of the Gross National Product this year. On the other hand, the index of industrial production, which measures only physical volume of output, is not likely to rise importantly above its present record level.

In sum, while the course of business activity could well continue upward throughout the year, the odds today seem to favor a levelling off and perhaps even a sag in business activity in the course of 1957. Naturally, opinions on the business outlook are based on the assumption that world affairs will not change appreciably in the coming months. Should the international scene deteriorate again, it might well touch off a wave of forward buying, with all its unstabilizing effects upon output and prices. Efforts would be made to enhance production and to build inventories up further, and despite the endeavors of the Federal Reserve, inflationary pressures would be given another boost.

Leo Myles Opens

CULVER CITY, Calif. — Leo Myles is conducting a securities business from offices at 10810 Bernado Road.

With Mid Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Gerald T. Overhoff is now associated with Mid Continent Securities Corporation, 3520 Hampton Avenue.

Homer Hess Adds

(Special to THE FINANCIAL CHRONICLE)

WOOSTER, Ohio — Carl W. Scheufler has become affiliated with Homer I. Hess, 216 Kurtz Street.

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HUGH E. PEARSON

President, Taylor-Pearson & Carson (Canada) Ltd.

The two most western provinces of Canada, Alberta and British Columbia, have shown remarkable progress in the last ten years, due largely to the discovery of oil and gas, and the development of power, pulp, and the chemical industry. The outlook for 1957 and subsequent years seems equally promising. The Westcoast Transmission pipe line, from the Fort St. John area to the U. S. border, is well advanced, and construction has started on the Trans Canada pipe line to carry gas from Alberta to Eastern Canada and possibly to some American markets. These will mean substantial income to the producers as well as royalties to the Provincial Governments, and encourage the exploration programs of the various oil companies. Employment should be steady and wages are high. The lumber industry has been depressed and any improvement in markets on prices will be quickly reflected in general business. Alberta's basic industry is still agriculture, and export markets for our surplus grain have been lacking, but farmers are feeding more livestock and their cash income is ahead of a year ago.

Providing world conditions do not deteriorate further, and present restrictions on credit are eased, with no further increases in interest rates, I think Alberta and British Columbia will receive a large amount of outside capital for new construction and industrial expansion in 1957.

The outlook is promising.

JOHN S. PROCTOR

President, Imperial Bank of Canada

When considering the Canadian economic scene at the present time, it is impossible to state what effects the fast moving international events may have on Canadian business in future months but I am assuming that current international problems will be solved through peaceful means.

J. S. Proctor

As in the United States, we in Canada are experiencing problems of controlling inflation and in studying the current business situation in Canada, one has to remember the great expansion of recent years. In the six years 1949 to 1955, the increase in the Canadian gross national product, when price increases are eliminated, was over one-third, which is a remarkable record. The rate of increase during 1956, however, was even still higher and in the first half of 1956 the physical volume of national output in Canada was more than 6% above the first half of 1955.

The phenomenal expansion in all fields of manufacturing and industry in Canada since 1949 has not been followed by large price increases which is of the greatest importance to the welfare of Canadians. When prices are stable the real income of consumers rises in rough proportion to their increased earnings, a further contributing power to the steady increase in consumer spending which has been a major support of the current boom.

There has been much written and much discussed about the question of capital imports for the development of Canadian industry during recent years. The growing excess of imports and other current account payments over exports and other receipts during 1956 has been financed by a large increase in the rate of capital import and it was larger in the first six months of 1956 than in all of 1955.

In this increase, direct investment has played a substantial part but it no longer provides the larger part of Canadian capital import as it has done in the past few years. Of increasing importance is the sale of new issues of Canadian securities abroad, as well as the net sales of outstanding securities, of which a large part is in common and preferred stocks. Short-term capital imports have also been heavy, and the United States continues to be the main market for new securities although many other countries have been encouraged by the great development in Canada to invest heavily in Canadian industry.

Concern has been expressed about the large investments by non-residents in Canada but despite the fact that Canadian savings are increasing with rising incomes, about 25%, however, of our current investment is coming from imported capital. I should like to point out that while there is little evidence that foreign investors are using their control of large parts of Canadian industry to the detriment of the Canadian economy, it would perhaps be healthy if Canadians were given more opportunity to participate in equity holdings of externally controlled companies.

The tremendous rate of expansion in Canada during recent years, coming as it has done in a period of full employment, has put heavy demands on our power of increasing production and of providing the necessary financing. New expansion projects have often come to the point of production without full provision for working capital required, and others have needed finance in anticipation of later borrowings in the market with the consequent demands for credit at the banks having therefore grown rapidly.

The great increase in the demands for commercial loans, particularly during recent months, set in motion a train of events which increased the supply of bonds in the money market, reduced their prices, and probably diverted some funds to security purchases which would have otherwise gone into mortgages. As the chartered banks in Canada had, at the request of the Bank of Canada, agreed to endeavor to hold an additional liquid reserve of 7%, pressure on the bond market was made even greater by the resulting shift to Treasury Bills. The resulting rise in interest rates has affected all types of borrowers, and high rates are bound to continue unless the current levels of investment spending are reduced.

Canada faces particular difficulties in trying to use monetary policy as a means of control owing to the ease of access to the capital market of the United States. The tighter money restrictions in Canada have raised interest rates not only to their usual differentials above those of the United States, but even somewhat more. Consequently, there has developed a substantial net issue of new securities in the United States and a sale of outstanding securities. These restrictions in Canada have undoubtedly affected some restraint on Canadian spending and this is particularly evident in the field of housing. While restrictions are iirritating and awkward for borrowers, they are, however, necessary if inflationary excesses are to be avoided in Canada.

Natural resources development in Canada is proceeding at a phenomenal pace, and since Canadian capacity to produce hydro-electric power cheaply is not unlimited, development of power from nuclear sources is of the utmost importance. Canadian metal and forest product industries depend on cheap power to aid them in maintaining a competitive position for Canadian exports in foreign markets, and it is vitally important to the Canadian economy not only to retain the present level of exports, but to increase the volume of exports over the next few years.

Wheat presents a difficult problem in Canada although export sales in the past year have been better and farm cash income has improved. Nevertheless, absorption in Canada of the larger part of the production of prairie farms is not likely to happen soon and it is with concern, therefore, that one observes some features of the current crop disposal programme of the United States, despite some assurances that the programme will not be to the disadvantage of the normal trade of other exporting countries.

In Canada the output of goods and services has been phenomenal in recent years, and living standards have risen much above the expectation of 10 years ago. Rapid recovery of world demand after the second world war, the richness of newly discovered mineral resources in Canada, the rapid exploitation of Canadian sources of cheap power, all justify ever larger views of our economic future. Although we have witnessed recently signs of over-straining on our productive system, I believe however, that Canadians are well endowed with imaginative and enterprising leadership, that we are a disciplined and responsible people, and that if we use these qualities fully, we have sound ground for confidence in ourselves and our future.

A. ROSS POYNTZ

President, The Imperial Life Assurance Company of Canada

As Canada leaves behind the peak year in its economy we enter another which will likely be just as great and perhaps greater in over-all accomplishment.

1957 will probably be characterized by a substantial capital additions program, high employment, high and probably rising wages, increasing prices, tight credit and high interest rates.

A. Ross Poyntz

While financial, physical and labor resources were strained in 1956, gross national product will probably rise in 1957, more than would result from increasing prices.

In spite of higher living costs, personal savings have made gains in recent years and will likely increase in 1957. This is the area from which are drawn discretionary dollars for life insurance premiums. High totals for salaries and wages and high employment increase the life insurance market, and the limiting factor may very well be shortage of manpower in the sales forces.

The great demand for investment funds and high interest rates create favorable opportunities for the investment of life insurance assets, and companies as a rule will show good earnings from their investment operations. The high rates of interest that have been available in recent times have not yet had their full effect in pulling up the interest revenues of the companies, and 1957 should show further gains in this direction. The effect on premium rates may not be very marked except in single premium contracts. However, the longer term effect on the net cost of participating insurance is beneficial. The trend to lower premium rates may have spent its force, in spite of higher interest earnings, since there must be adequate safety margins.

Improving mortality seems to be a continuous trend and, barring heavy wartime casualties, life insurance companies should continue to have favorable mortality results.

We are entering a year that may be upset by disruptions to international peace and to industrial peace. With or without these disruptions the very high economic activity that can be foreseen forecasts expanding life insurance sales both in individual policies and in group coverages. The latter coverages will probably increase even more rapidly than Ordinary insurance, and in the accident and sickness field expanded coverage will further reduce the need for any plan of comprehensive national health insurance.

1957 will also see further steps toward automation in home office operations. These become more essential as the volume of work increases. Their adoption may not reduce the costs of operation, but in the long run may stabilize them and will result in the upgrading of clerical work.

It promises to be a year in which substantial growth in sales will be accompanied by favorable results in other phases of operations, such as investment and underwriting.

STANLEY J. RANDALL

President, Easy Washing Machine Company Limited

The home laundry industry in Canada enjoyed a greatly increased volume of business throughout 1956. Conventional wringer type washers for the first ten months showed an increase of approximately 10% over the same period last year; automatic washers are up approximately 50% and electric clothes dryers 40%. From these percentages the total increase in washer unit sales of all types combined will, it is estimated, be approximately 20% greater than last year. The consumer dollars spent on laundry equipment, however, will be a great deal higher than in any previous year in view of the very large gains made in automatic washers and clothes dryers, and it is quite possible that the industry will ring up a greater volume of dollar sales than ever before in its history.

Stanley J. Randall

Conventional type wringer washers are still being sold in great volume and represent about 75% of the total washing machine business. However, this year there have been very large strides toward consumer acceptance on automatic washers and this trend will be accelerated in 1957 assisted by the heavy promotion Canadian manufacturers are launching on automatic home laundry equipment.

The saturation point of automatic clothes dryers in Canada, of course, is very low, and this appliance promises to be one of the highlights of the laundry industry for 1957. Most manufacturers have a line of automatic clothes dryers now, and these like automatic washers are being heavily advertised and promoted, and the fact that the laundry industry has gone to the square design with automatic washers and dryers makes it possible for the first time to offer a consumer two pieces of home laundry equipment to do the complete job of looking after the weekly wash. The percentage of clothes dryers sold with automatic washers up to 1956 was somewhat disappointing. However, during the past year consumer prices for these appliances made it possible for the buyer to complete the job of making the laundry room automatic and each month there is a greater increase in the acceptance of automatic clothes dryers with the automatic washers. Of course, there are thousands of wringer type washer users who will not be buying an automatic machine for sometime. The dryer will be the first purchase in buying automatic equipment and the automatic washer will eventually follow.

In 1956 our Company introduced a new combination washer-dryer which is most compact and efficient. This machine is finding ready acceptance in the new type of home where space in the kitchen is all important. We look forward to 1957 as being a banner year for this new combination washer and dryer machine, and is another very good reason why the laundry room of the future will go automatic.

It is not unreasonable to assume that the Home Laundry industry will increase unit sales of home laundry equipment by 20% in 1957, and dollar volume percentage-wise should increase likewise. The swing from lower-priced wringer type washers to automatic equipment, of course, will mean that a great many more dollars are going to be spent for laundry equipment than has been in the past, and the volume anticipated should establish new records for the home laundry industry.

Volume sales are only possible if the asking price from the consumers is within reach of their pocket book. Labor and material costs over the past year have increased very considerably, and there is no reason to anticipate that they will not do the same in 1957. These costs have to be passed on to the ultimate buyer or absorbed by the manufacturer, which represents lower profit margins. To offset this most manufacturers are spending a great deal of money in engineering their designs to keep quality and reduce costs. Further amounts will be spent to purchase automatic manufacturing equipment to increase production and lower labor costs wherever possible. These problems, of course, are basic in any industry but particularly in the appliance business which is one of the most competitive.

Barring unforeseen world events which could curtail consumer buying through the use of credit restrictions, 1957 should be another very successful year for the home laundry industry.

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As We See It

the adjustments necessary in a dynamic economy."

Fortunately the President is quick to add that "reliance for stability in economic growth cannot be placed exclusively on the fiscal and monetary policies of government." But despite this disclaimer, one is obliged to wonder just what are or are not regarded in Washington as "practicable means" of promoting "high levels of production and employment." The budget submitted by the President hardly suggests that there is much belief there that prudence, thrift and reliance upon the individual initiative of the people in good American tradition are of great value for the purpose. Doubts are not laid by reference to specific programs the President now recommends. He would, for example, have Congress authorize a four-year program of Federal assistance for public school construction rather than have the people in local districts or the several states provide their own. We wish the President would remember that the Federal Government has nothing with which to build schools or anything else which it does not take directly or indirectly from these same people. Again, the President would proceed with the so-called Fryingpan-Arkansas project. He would pour large additional funds into housing assistance, and in various other directions.

Taxes and Incentives

He would encourage "the enterprising spirit of our people and protect incentives to work, to save and invest." Yet there is no suggestion now as there has not been at any time in the past that something effective be done about individual income tax rates so steeply graduated that the more successful and constructive business man soon finds that he is working chiefly for the government when he manages to increase his income — unless, indeed, he seeks refuge in tax-exempt securities, the proceeds of which, in some instances at least, are not used either wisely or well. Or, if taxes do not deter him, he soon finds that labor monopoly encouraged and nourished by government is now in a position to exact crushing wages for a declining amount of work. Nor does it appear always particularly worthwhile to him to build a substantial estate only to have the bulk of it taken by the tax collector upon his death.

A further lack of realism seems to us to appear when the President turns to what he calls the responsibilities of individuals and economic groups. "Even more exacting," he says, "are the responsibilities of individuals and economic groups. Business managements should formulate and carry out their plans so as to contribute to steady economic growth. They must also recognize the broad public interest in the prices set on their products and services.

"Both management and labor should remove restrictions on the operation of competitive markets and enhance the economy's adaptability to change. Of particular importance in a prosperous economy is the responsibility of leaders of business and labor to reach agreements on wages and other labor benefits that are consistent with productivity prospects and with the maintenance of a stable dollar."

* * *

"The successful extension of prosperity with price stability calls for a cooperative effort in which the policies of individuals and economic groups and of all levels of government are consistent with one another and mutually reinforcing."

The reader will at once recognize the fact that underlying these smooth phrases there lies a philosophy of what is now usually known as a "planned economy." That is to say, plainly, there is to be, or would be under such a regime, some sort of collective planning and managing of the affairs of the people. Of such stuff socialism, yes and even communism, are made. This country did not grow to greatness in any such way. Some of the other countries of the world now so envious of us did proceed on some such lines. One would not suppose that we should profit by emulating them.

We Do Not Operate That Way

What is as much to the point is the fact that the American people by and large do not operate in any such way — despite a lamentable habit that the New Deal has taught them of crying to government about all their ills — and it is quite useless to expect them to do so merely because the President or anyone else exhorts them to fall in line. Woe to us all when the day arrives, if it ever does, when the practical business man or groups of business men occupy themselves trying to decide what is good for the country and shaping their programs accordingly, rather than working out ways and means of producing wanted goods and services at a profit. It is as true now as it was when Adam Smith explained it to the world that real economic progress flows from a vast multitude of individuals busying themselves serving their own economic ends.

Government in many ways inevitably creates or at the very least affects the atmosphere in which the ordinary man must earn his living. Even when not intent particularly upon doing so, it sets conditions under which the economy must operate. If it is wise, it will keep its role to a minimum, but even so it must see to it that it does not destroy or limit incentives and the like. When it has done that and set down broad rules governing man's relation to his fellow man, it has done about all that it can to ensure steady growth and lasting prosperity. Would that that simple truth were more widely and more fully understood in this day and time.

We hardly need add that the rules under which men must work are of very great importance. They must not interfere when interference is not necessary, but they must protect man from man. Above all they must be certain that competition is preserved throughout the land. That is what is lacking today in matters that have to do with wage negotiations. We are afraid the President's analysis lacks realism.

Named Director

Malcolm J. Wood of New York City, has been named a director of the Warner Electric Brake & Clutch Company, Beloit, Wis., it was announced by the company.

Mr. Wood is an investment counsellor with Sterling, Grace & Co., New York. He was previously associated with the Bankers Trust Company.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Lani L. Louie is now with Walston & Co., Inc., 901 Southwest Washington Street.

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CHARLES ST. PIERRE

President, Banque Canadienne Nationale

The expansion of the Canadian economy has quickened its pace during the year just ended, as witnessed by the most significant indices. Statistics covering the first ten months of 1956 reveal that the increase in the national product will have brought the total to the highest level reached up to the present. Employment and, in consequence, the income of individuals are better than ever. Due to the public's substantial available funds, without mentioning consumer credit development, wholesale and retail trade showed much activity. Canada's foreign trade achieved an unprecedented advance.

Charles St. Pierre

If progress has been made in almost every field of production, it has been especially remarkable in the development of mining, and notably in the sources of oil and natural gas. According to official forecasts, the yield from the mines, having increased by $200 million over 1955, will have exceeded $2 billion last year. Exploration and operational developments have made great strides. In 1956, more than $500 million were invested in exploration and equipment of oil and gas wells. Oil, the production of which has risen since 1938 from 7 million to 170 million barrels, now holds first place in Canadian minerals, in regard to value. Only 10 years ago, Canada was producing merely 7% of the oil it used. It now finds within its own boundaries 80% of a tremendously increased consumption. The extraction of iron ore and most of the non-ferrous metals and non-metallic minerals also shows an important increase.

Agriculture

Throughout the country, field crops gave a better yield last year than in 1955. The wheat harvest is estimated at 537,800,000 bushels, a total higher than the previous year as well as the average of the 10-year period 1946-1955. There was also an increase in the production of other cereals, except corn and rye.

However, favorable as was last season, agriculture is not sharing in the general prosperity to the same extent as other sectors of the national economy. It is true that the price index of farm products has risen since a year ago, but it is still far below the level of 1953. On the basis of 100 for the period 1935-39, it was 209.2 in November, last, whereas the price index for industrial materials reached 248.4.

The upward trend in farm income during the past year is in large part due to the revival in wheat sales. But that has improved the situation for only one class of producers. Moreover, in spite of the speeding up in our wheat exports, the last harvest leaves in Canada an even more substantial carry-over than a year ago. These stocks will be all the more difficult to market because the United States, which also has considerable reserves to liquidate, is having recourse to sales methods which are decidedly not in conformity with the normal procedure of competition, such as the acceptance of foreign currency as a mode of payment. It is obvious that, in these circumstances, there is little hope for an early rise in prices.

Foreign Trade

The foreign trade of Canada will have achieved a new record in 1956. Preliminary figures show at more than $8,750,000,000 the total for the first 10 months of the year, an increase of about $1,350,000,000 in comparison with the corresponding period in 1955. Exports totaled $3,967 million and imports, $4,787 million. The unfavorable balance has therefore risen to more than $800 million, as compared with some $360 million during the same months of the previous year.

The rise of some $450 million in our exports is mainly due to our sales of wheat and other cereals, oil, iron ore, wood pulp and newsprint, machinery, other than farm implements, airplanes, aluminum and fish.

The increase of more than $900 million in our imports is due mostly to the rapid economic progress of Canada which warrants important purchases of equipment as well as materials that are not to be found in this country or which cannot be supplied in sufficient volume, like steel. These imports will tend to decrease with the passing of the present period of intensive industrialization. The development of our means of production will thereafter help us to correct gradually our balance of trade. The expansion of mining already is enabling us to increase our exports of iron ore, uranium, asbestos, oil and other minerals, while reducing our imports of solid and liquid fuels.

More than 67% of Canada's trade is transacted with the United States, namely $3,497 million in imports and $2,400 million in exports. The debit balance of more than a billion which results therefrom has been reduced by the favorable balance of our trade with other countries, notably in Europe.

To the tremendous surplus of imports which our trade with the neighboring Republic shows are to be added the substantial deficit in the invisible elements of our international accounts: interests and dividends, tourism and various services. Up to now, we have found a counterpart in the influx of American capital.

Prospects

The outlook for the coming year is favorable, but we must refrain from any unreasoned optimism which a lengthy period of prosperity is likely to create. Canada cannot dissociate herself from other countries. The world situation is fraught with so many uncertainties and the interdependence of nations is nowadays so close, that it is more than ever essential to use vigilance and caution.

RHYS M. SALE

President, Ford Motor Company of Canada Limited

Our company's share of the Canadian market for cars and trucks was 10% greater in 1956 than in 1955, and the dollar value of its sales in Canada reached an all-time high. The increase in Canadian sales almost offset a drop in revenue from export sales that resulted from tightened import restrictions and anti-inflation measures in some of our overseas territories. Ford of Canada's combined domestic and export sales volume in 1956 was less than 1% below the record $346,000,000 total of 1955.

Rhys M. Sale

Our company increased by better than 10% its share of the Canadian market for cars and trucks of North American types. Of all new cars and trucks of all makes registered for licenses in Canada during the past year, 29% were Ford of Canada products, as against 26.2% in 1955. More new Ford of Canada passenger cars were registered than in any previous year. Sales of trucks of all makes in the Canadian market increased by about 15% over those of 1955. Ford of Canada boosted its sales of trucks by about 40%, a gain of approximately 7,000 units over 1955.

The combined sales of Ford of Canada's wholly-owned subsidiaries in Australia, South Africa, New Zealand and Singapore, which are not consolidated with those of the Canadian company, were second only to those in 1955, a record year.

Ford of Canada produced 149,000 cars and trucks for its domestic and export markets in 1956, representing 31.5% of the total output of the Canadian automobile industry. The total was below the record total of 165,700 units produced in 1955, partly because of the reduced export requirement and also because the build-up of production of 1957 passenger models in the last four months of 1956 had taken longer than had been expected.

At the end of the year there were 15,100 on the payrolls of the company in Canada, and about 8,500 in the overseas companies. The Canadian employees earned more than $63,000,000 in wages and salaries in 1956.

During 1956 the company completed an addition to its Oakville assembly plant, bringing the total area on one floor and under one roof to 36½ acres. A large parts and accessories depot was built and put into operation in Edmonton. Extensive changes and improvements were made in the machine shop and engine plant at Windsor.

We are confident our business will be good in 1957. We are conscious of the possible effects of curbs on consumer credit, and of the tensions and uncertainties of the international situation, but I cannot recall a year in the history of our industry when there have not been a few clouds on the horizon. The automobile industry has grown and prospered in the face of all kinds of difficulties.

Canada is in excellent economic health. We see no reason why its long-term prosperity and promise will be greatly affected by temporary adjustment to keep inflation in check, even though they may hurt a bit at the time. If anti-inflation restraints are applied wisely, and without discrimination against any particular sector of Canadian business, we look for stable and prosperous conditions.

The population of Canada is growing fast. Our people are producing more, earning more, saving more, and spending more. We are confident their needs and desires for automotive products, and the basic requirement of our nation for a constantly expanding transportation system, will continue to provide an excellent market for what we have to offer.

This conviction provides the optimism which runs through all our future planning in Ford of Canada. Our entire organization is geared to take advantage of all the opportunities that lie ahead.

Our company entered 1957 with a comfortable backlog of orders, and we have not yet caught up with the demand for many of our models. There is clear evidence of strong public preference for the wider range of passenger models we are offering. During October and November our share of the passenger car market in Canada was above 33%, as against an average of 29.5% for the first 11 months of the year. December figures are not yet available.

The addition of the Edsel, the entirely new line of cars we will introduce next fall, will strengthen our position in the market, particularly in the medium-priced bracket. Our dealer organization is the strongest we have ever had. We feel we have every reason for optimism.

GEORGE H. SELLERS

President, Bailey Selburn Oil & Gas Ltd.

Every indication leads us to expect that the year 1957 should be the most active ever experienced in exploration and oil development in Western Canada.

While development may have been retarded until recent years due to marketing problems caused by transportation, the major oil fields in Western Canada are now connected with large refining and distribution centres from coast to coast. Trans Mountain Pipe Line currently operates west from Edmonton to Vancouver on the Pacific Coast, and to Bellingham, Washington. Oil from Western Canada is finding markets in California, and shipments have been made to Japan.

G. H. Sellers

Interprovincial Pipe Line runs east from Edmonton, connecting the major centres of Western Canada and proceeding to eastern markets via Superior, Wisconsin, to Sarnia, where Western Canadian oil meets pipeline production from the Southern States. Connecting pipelines are now operating south to the twin cities of Minneapolis and St. Paul. Extensions farther east to Toronto, where refinery capacity is being tripled, are under way. We expect extensions through to the major consuming areas of Montreal and Quebec in the near future.

While drilling essentially for oil, we have discovered tremendous reserves of gas during the past years. These wells, for the most part, have remained capped, awaiting future markets, and very little drilling has been done directly in search of gas for this reason.

During 1957 we will see the completion of West Coast Transmission, moving gas from Northern Alberta over the mountains to Vancouver, and connecting with lines in the Western States. Trans Canada Pipe Line, currently under construction, will be completed at least as far as Winnipeg, the first leg of its jump to highly industrialized Eastern Canada. Undoubtedly substantial volumes of gas will find markets to the south as soon as current F.P.C. hearings are clarified. These developments and other recently announced plans for export south from Pincher Creek to Spokane will spark the search for and development of gas.

World events have focused our eyes on the Suez Canal and the political situation in the Middle East. Oil reserves located in these areas are obviously insecure. Until recently, approximately 1,250,000 barrels of oil per day passed through the Suez Canal. While the Canal may be reopened soon, it would be foolhardy to believe that the economy of this Continent and that of Western Europe must rely upon production within easy grasp of Russia.

The discovery rate in the United States has shown a very marked decline during recent years, and the finding cost per barrel of oil has increased steadily to a recently estimated cost of over $1.76 per barrel. In Western Canada more than 128,000,000 acres of highly potential virgin oil and gas lands exists, or about three-quarters of the total area of the State of Texas. According to figures compiled by the Canadian Petroleum Association in 1954, the finding cost per barrel of oil was less than 81¢ per barrel, and the discovery rate was more than 50% higher than that experienced in the United States.

This vast unexplored potential acreage and the high ratio of success has motivated the leading oil companies of this Continent and of Western Europe to enter Western Canada in ever increasing numbers, pouring capital at the rate of some $450,000,000 for 1956, together with skilled personnel, into the search for oil. With the inviting prospects and the security we find in this country, and with our problem not "How do we find a market?," but rather, "How do we find the ability to produce as quickly as our markets expand?," we believe we are on the threshold of one of the biggest developments in natural resources ever experienced on this Continent.

E. G. SILVERWOOD

President, Silverwood Dairies, Limited

Silverwood Dairies, Limited, established at London, Ontario in 1903, operates plants in 22 locations in Ontario, at Winnipeg in Manitoba, Regina in Saskatchewan and Edmonton in Alberta. Approximately 62% of its total sales is fluid milk, cream, and related products sold from 726 retail and 76 wholesale routes in 19 cities. Ice cream comprises 21% of total sales. A further 10% is butter, manufactured in 11 of its plants. It also manufactures roller and spray milk powder, including an instant soluble product, and condensed milk. The company originated as a produce business handling poultry and eggs—now a very minor department.

E. Gordon Silverwood

The control of the business is in the hands of its employees, who have a considerable stock interest. The stock is listed on the Toronto Exchange and there are over 4,800 shareholders. The Canadian dairy industry has an output in excess of $900,000,000, and one out of every six, or 2½ million Canadians, is directly

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Consumer Credit Management Program To Be Held at Columbia

The fifth annual Consumer Credit Management Program will be held this spring at Arden House on Columbia University's Harriman Campus, it was announced by Dr. Courtney C. Brown, dean of the Graduate School of Business.

Fifty-six business executives will have an opportunity to meet with experts in consumer credit management to consider the problems and outlook for the consumer credit field in 1957-58. The six-day Consumer Credit Management Program was inaugurated by the Graduate School of Business at Columbia University in cooperation with a group of commercial banks, national and New York State business and finance associations. It will take place from June 9 to June 14.

The program will be directed by Dr. John M. Chapman of the Graduate School of Business, and will consist of 20 sessions devoted to intensive coverage of areas directly affecting consumer credit policies, problems, and practices from the point of view of top management. The number of executives who can attend the program is limited to assure maximum participation in the discussions. Early application for reservations is therefore advised for executives planning to attend the meetings.

The faculty, discussion leaders, and speakers will be drawn from business, consumer credit institutions, Columbia, and other universities. These experts and student-executives, who have been selected from the various branches of consumer credit management, will consider such questions as: the credit outlook for 1957-1958; the market for consumer credit; managerial problems and policies; controlling costs and internal operations; sources of funds for financing the consumer credit industry; the importance of consumer credit to manufacturers; dealer relationship with consumer credit institutions; consumer credit in relation to inflation and deflation; legislative trends in the consumer credit industry; consumer credit and economic stability; and the relation of consumer credit to central banking policy.

Executives attending the program will live at Arden House during the session, thus making possible a maximum coverage of consumer credit problems in a six-day period. Arden House, the former residence of E. H. Harriman, is located 50 miles north of New York City and was given to Columbia by his son, W. Averell Harriman, as a home for the University's American Assembly.

Arden House, situated high in the Ramapo Hills, has been developed into an educational conference center that has housed such meetings as The Executive Program in Business Administration, the Transportation Management Program, the National Academy of Science, and the Rockefeller Foundation.

In addition to Dean Brown and Dr. Chapman, members of the Executive Committee which has organized the program include: Professor R. S. Alexander, Columbia University; George A. Ames, Executive Vice-President, General Motors Acceptance Corp., New York City; Louis J. Asterita, Deputy Manager, American Bankers Association; Professor B. H. Beckhart, Columbia University; J. Albert Brien, Executive Manager, Retailers Credit Bureau, New York City; William J. Cheyney, Executive Vice-President, National Foundation for Consumer Credit, Washington, D. C.; Abe Hackman, Senior Vice-President, R. H. Macy & Co., New York City; William F. Kelly, President, The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.; George F. Mosher, President, General Electric Credit Corporation, New York City; and M. R. Neifeld, Vice-President, Beneficial Management Corporation, Morristown, N. J.

Also Professor William H. Newman, Columbia University; Donald W. O'Connell, Assistant Dean, Graduate School of Business, Columbia University; J. Andrew Painter, Vice-President, First National City Bank of New York, New York City; Thomas W. Rogers, Executive Vice-President, American Finance Conference, Chicago, Ill.; Paul L. Selby, Executive Vice-President, National Consumer Finance Association, Washington, D. C.; Rudolph M. Severa, Executive Manager, Credit Bureau of Greater New York, Inc., New York City; Hoke S. Simpson, Director of Executive Programs, Graduate School of Business, Columbia University; A. L. Trotta, Manager, Credit Management Division, National Retail Dry Goods Association, New York City; Richard O. Wiesner, Executive Vice-President, New York State Consumer Finance Association, New York City; William L. Wilson, Vice-President, Commercial Investment Trust Inc., New York City; and Clarence E. Wolfinger, Credit Manager, Lit Brothers, Philadelphia, Pa.

Hobbs Elected NASD District Chairman

W. G. Hobbs, Jr.

SAN ANTONIO, Tex.—William G. Hobbs, Jr., Executive Vice-President, Russ & Co., San Antonio, Tex., has been elected Chairman for 1957 of District Committee No. 6 (Texas) of the National Association of Securities Dealers.

Mr. Hobbs succeeds Barron McCulloch, President, Barron McCulloch & Co., Fort Worth.

Halsey, Stuart Group Offers Chic., Milw., St. Paul & Pacific Equips.

Halsey, Stuart & Co. Inc. and associates on Jan. 24 offered $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, were 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.

Euler, Kennedy Directors

Republic Natural Gas Company, of Dallas, Texas, oil and gas producer, announced the election to its Board of Directors of Ralph S. Euler and Edwin L. Kennedy.

Mr. Euler is Senior Vice-President, Director and Member of the Executive Committee of Mellon National Bank & Trust Company of Pittsburgh and a member of the Board of Directors of Allegheny Ludlum Steel Corporation, American Air Lines, Inc., Harbison-Walker Refractories Company, Lone Star Gas Company and Shamrock Oil and Gas Corporation.

Mr. Kennedy, a partner in Lehman Brothers, is also a Director of Kerr-McGee Oil Industries, Inc., Murphy Corporation, Gas Properties, Inc., Distillate Production Co., and the Independent Petroleum Association of America.

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or indirectly dependent upon it for an economic livelihood.

Milk production in 1957 is expected to be about the same as the two preceding years—approximately 17.5 billion pounds. Anticipating another year of prosperity for Canada, domestic demand for all dairy products should be satisfactory.

In the fall of 1956 many Canadian markets had a one cent per quart increase in the price of milk to the consumer. For example this brought the retail delivered price of regular milk to 23 cents in the Toronto market for our 40-ounce Imperial quart. This was the first price increase in five years. It was accepted by the public generally without any serious effect on consumption as undoubtedly they appreciated the economy of this outstanding food even at the increased price. During the last five years only increased volume coupled with rigid economy enabled milk distributors to absorb constantly increasing wages and other costs of doing business. The milk producers received one-half cent of this latest increase and labor appears to be securing practically all the remaining one-half cent. The unions in our industry not only demand and expect annual wage increases and improved benefits in view of the present inflationary spiral but at this time are undoubtedly encouraged in so doing by the knowledge that the distributors' spread is slightly higher.

It would appear that further increased volume would not be sufficient to enable distributors to absorb future increased costs and I would anticipate that another increase in the selling price of milk would be likely in 1957.

Per capita consumption of ice cream was well maintained in 1956 in spite of generally cool weather although it was not equal to the 16.7 pints per person reached in the exceptionally warm year of 1955. Ice cream manufacturers are hoping to exceed their 1955 sales in the coming year.

It is expected that somewhat less milk should be available for the production of creamery butter in 1957. Assuming a population increase and the maintenance of the 1956 level of per capita consumption of dairy products, the Government's carry-over of butter stocks should be somewhat lower at the end of 1957 than the 96 million pound average in the past three years.

In general we anticipate that the level of business, employment and earnings in the dairy industry will be comparable to 1956.

H. GREVILLE SMITH

President, Canadian Industries Limited

The production of chemicals and allied products rose during 1956 to a record value tentatively estimated at nearly $1,150 million, or an increase of almost 10% over 1955. As might be expected in view of the marked advances which took place in investment and consumer outlays in Canada during 1956, the improvement in the industry's sales was concentrated in such chemical products as primary plastics, pharmaceutical products and explosives which are closely associated with consumer markets and construction activity.

H. Greville Smith

Looking to the year ahead, a further increase in the demand for chemicals is to be expected if, as now seems probable, the trend of business activity continues upwards. The Canadian producers' share of domestic demand should be enhanced by the new plants recently constructed for the manufacture of chemical products previously supplied by imports. The industry's capital investment outlays, which in 1956 approached the record $141 million spent in 1952, will be maintained at an only slightly diminished rate in 1957. Much of the expansion to take place during the coming year represents projects which could not be completed in 1956 owing to shortages of construction materials and labor. This sizable carry-over tends to obscure a decline in the number of new projects to manufacture chemicals whose production is to be undertaken for the first time in Canada. In the face of strong import competition and the limiting effect of the present size of the Canadian market, it is becoming increasingly difficult to find new "diversification" opportunities. Most of the new projects announced during recent months involve either the extraction and processing of chemicals derived from petroleum or the provision of chemicals to meet the needs of Canada's mineral and forest product industries.

In other words, the expansion of capacity for chemicals whose manufacture is already established in Canada is once more becoming the principal feature of the industry's growth. During the recent period of diversification, production of chemicals directed towards consumer and secondary manufacturing markets—hitherto imported—was undertaken. Now, the natural resource industries are evidently regaining their former position as the chief stimulus to the industry's growth. For some years to come, therefore, Canadian producers of chemicals and allied products are likely to find their most worthwhile opportunities for expansion linked with natural resources development.

JAMES STEWART

Chairman of the Board, The Canadian Bank of Commerce

Most of the factors that contributed to the 7% expansion in the physical volume of production in 1956 have carried over into 1957, and seem likely to maintain a condition of economic buoyancy for the first half of the year at least. The high rate of capital expenditure that was the major contributing factor last year is expected to continue, despite a decline in housing. A substantial part of this year's program seems likely to be the carryover of projects deferred from 1956, when labor, some material, and financial resources were employed at or close to capacity. The 1957 program does not discount the likelihood of a continuing tight supply of steel, of certain classes of labor, and of money. Steel production is rising, however, and the labor situation may ease somewhat as a result of high immigration. As for the tight money situation, while there is little at present to indicate that any significant easing is in prospect, it must be borne in mind that much of the work now in progress or planned is for concerns which have ample resources by way of undistributed profits, or which have ready access to foreign or domestic capital.

James Stewart

There are no grounds for complacency, however, as expansion such as experienced in the past two years brings its own strains, the most menacing of which is probably the potential inflation that follows in its train. We have already experienced a rise of nearly 3% in prices during the past year, following a long period of stability, and recent developments in the international field, while difficult to assess, could increase the upward pressure. There is little or no evidence of scare buying to date, but the possible effect of rising ocean freights on some imported goods, and of any substantial increase in the need for defense spending cannot be ignored. On the other hand, the over-all physical volume of production has risen about a sixth within the past two years, productive capacity is gaining steadily as a result of the high level of capital expenditures, and there seems little likelihood of demand seriously outrunning production of consumers' goods at least, as most of these are in plentiful, and in some cases surplus, supply.

With employment, labor income and population all moving upward, consumer demand may be expected to give strong support to domestic trade. Recent international events could, however, exert further strain on the balance of payments position of European countries and thereby affect our exports of materials that are available from non-dollar sources, though export trade as a whole should remain at a relatively high level barring any slackening in activity in the United States.

Gross National Product in 1956 has now been semi-officially estimated at $29.5 billion. In the light of existing evidence, and assuming no further deterioration in the international situation, there seems little doubt that the 1957 figure will exceed the $30 billion level, which only a short time ago seemed likely of attainment only within a decade.

DR. JOHN F. THOMPSON

Chairman of the Board, The International Nickel Company of Canada, Limited

Production of nickel by the free world set a new high record in 1956 at approximately 450,000,000 pounds. This compared with the previous high output of about 427,000,000 pounds in 1955 and 387,000,000 pounds in 1954. Output by Canadian producers again accounted for about 80% of the free world's supply.

Dr. J. F. Thompson

Deliveries of the metal in 1956 by International Nickel, world's largest nickel producer, were approximately 285,000,000 pounds. In addition, the company made available nearly 6,000,000 pounds of metallic nickel by converting concentrates supplied by another producer.

The following figures of deliveries of other producers are estimated from company or Government reports or other published statements. Estimated 1956 deliveries by other principal Canadian producers are: Falconbridge Nickel Mines Limited, 43,000,000 pounds, Sherritt Gordon Mines Limited, 19,000,000 pounds. Other free world deliveries included 31,000,000 pounds from the U. S. Government's plant at Nicaro, Cuba; 14,000,000 pounds from Hanna Nickel Smelting Company in Oregon, U. S. A.; 22,000,000 pounds produced by the French company, S. A. Le Nickel, from New Caledonian ores; and 26,000,000 pounds from all other sources, a major portion of which was refined in Japan from New Caledonian ores.

Nickel Distribution

Distribution of the total free world nickel supply in 1956 approximated that of the previous year, with about 65% going to the United States and 35% to Canada, the United Kingdom and other countries of the free world. Heavy defense production continued to use a substantial part of the nickel distributed to the United States, far in excess of the percentage for other principal base metals.

The very high level of industrial activity which was maintained in Europe and North America in 1956 was reflected in the sustained heavy demand for nickel and nickel alloys in every field of application. Increased amounts of the metal were employed for defense uses, and, although the quantity available for civilian applications was somewhat greater than in 1955, limitations in supply and continuation of deliveries to Government stockpile continued to retard the full development of established and potential markets.

In the United Kingdom, there was a slackening in the general demand for consumer goods, especially in such industries as automotive, radio and television. However, the over-all pulse of industry there was strong with the production of stainless steels and engineering alloy steels some 10% above that of 1955. Many new industrial projects were initiated, especially in the petroleum and petrochemical industries.

The Director of Defense Mobilization of the U. S. Government in 1956 authorized the diversion to industry of 74,300,000 pounds of nickel originally scheduled for shipment to the Government stockpile. In addition, industry received a portion of a further 5,000,000 pounds authorized as extra diversion for the fourth quarter.

Nickel Prices

In order to deal with higher costs and facilitate maximum production, The International Nickel Company of Canada, Limited, increased its price of refined nickel by nine and a half cents (U. S.) per pound effective Dec. 6, 1956. Like increases were also made by the company's United States subsidiary, The International Nickel Company, Inc., and its United Kingdom subsidiary, The Mond Nickel Company, Limited. This brought the export price of electrolytic refined nickel, from the company's Port Colborne, Ontario, refinery, to 74 cents (U. S.) per pound, from the level of 64½ cents per pound which had prevailed since Nov. 24, 1954. The price includes the one and one-quarter cents United States import duty which is paid by the company. Similar changes in price were also made for other forms of primary nickel and nickel oxide sinter. New price schedules were also announced for nickel and nickel alloys in the form of mill and foundry products produced at the plants of the company's United States and United Kingdom subsidiaries.

Other United States prices included those for nickel diverted from the Government stockpile which were for nickel of Canadian origin about 98 cents per pound and for nickel of United States origin approximately $1.17 per pound. This nickel, which was sold at higher than market quotations, was high production-cost nickel contracted for at premium prices by the United States Government and which would not have been available either to the Government stockpile or to industry had it not been for the Government premium price arrangements.

In addition, relatively small amounts of nickel originating mainly from Japan were sold in the United States market at about $2.00 to $2.50 a pound.

Applications

As has been the situation for many years, the steel industries of the free world continued during 1956 to use the largest proportion of the primary nickel available to industry, principally in the production of stainless steels, engineering alloy steels and jet engine alloys.

During the year the output of the **nickel-containing stainless steels** reached an all-time high. This record production was materially aided by the substantial use of stainless steel scrap. Producers in the United Kingdom, France and other countries followed the United States in initiating production of the lower nickel-containing types of stainless steels for use in transportation equipment and certain domestic and allied applications. The chromium-nickel grades continued to be employed in increasing quantities in practically all industries, ranging from consumer products to atomic energy and high speed aircraft.

Output of the nickel-containing **engineering alloy steels** in 1956 was limited by the availability of nickel and production approximated that of 1955. Established applications, such as in automobiles, trucks, tractors, aircraft, military equipment, farm machinery, road building equipment, and components for the atomic energy, electronics, railroad and petroleum industries were responsible for the major portion of the consumption of the engineering alloy steels. Most important new applications were those involving heat-treated alloy steel plates and shapes and increasing attention was given to new "super" strength steels developed initially for aircraft landing gears.

International Nickel's high nickel-chromium alloys, such as the "Nimonics," developed by the company's affiliates in the United Kindom, and the "Inconels," developed by Inco's United States subsidiary, continued to play a leading role in the construction of aircraft turbo-prop and jet engines, and industrial gas turbines. "Monel" nickel-copper alloys continued to be employed throughout industry because of their resistance to corrosion and good mechanical properties. The "Inconel" nickel-chromium alloys were used where high strength and resistance to corrosion or heat are required, and "Incoloy" iron-nickel-chromium alloys where resistance to oxidation at moderately elevated temperatures is required.

From the outset of the atomic energy program, nickel and nickel-containing alloys, because of their resistance to corrosion, have had an established role in every phase of **nuclear development.** The tempo of United

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U. S. and Canadian Production Creates a Center of Confidence

down, starting with Ron Todgham, President of the company. Of the last 60 people appointed to executive positions in the organization, it happens that only one was a United States citizen.

The cars and trucks we assemble in Canada are made up in great part of components produced by Canadian firms. The only parts imported from plants in the United States are frames, major body stampings, and automatic transmissions. Everything else, from batteries to sparkplugs, from tires to upholstery, and from engines to steering wheels, is made in Canada.

The day may come when our Canadian plants will supply our plants in the United States with some of their components. At present this is not happening. I would like to say, however, that Chrysler Corporation has recently made one import from Chrysler of Canada that we consider very important to the future of our business. Last summer we persuaded Ed Row, who had been President of Chrysler of Canada since 1951, to come across the river and become our Administrative Vice-President. We are confident that the skill with which he built a strong Canadian organization and kept it moving ahead in the business is going to be a key factor in making gains against our competition in the United States.

In the last three years Chrysler of Canada has made sizable gains in its share of the Canadian automobile market—and it plans to go right on making gains.

Canada's Future Auto Production

Chrysler of Canada has been increasing its manufacturing and distributing facilities and strengthening its organization steadily in the confident anticipation of excellent future markets for cars and trucks. For one thing, your population is growing so fast that by 1985, at the present rate of growth, there will be nearly 32 million Canadians—about twice as many as there are at present. And I don't need to tell you that this fast increase in your population is being caused in great part by the inflow of people who have decided to cast their lot with Canada and its future.

Besides the rapid growth of the Canadian population, however, there is the equally important fact that family incomes are rising and will continue to rise with the rapid development now taking place in the country. No businessman today—either in Canada or the United States—is basing his plans on a straight-line increase of demand in direct proportion to the growth of population. Living standards in a dynamic economy like Canada's have a way of increasing even faster than the population, and all of us have to plan for the future with those rising standards in mind.

During the past year it has been very impressive to see the Canadian automotive industry scoring over its production in 1955, which was the biggest previous year on the books. In most years the production of cars and trucks in Canada has paralleled roughly the ups and downs of automotive production in the United States. But 1956 was a big exception. With the production of motor vehicles in the States down nearly 25% from the all-time high of 1955, Canada's automotive production showed a healthy gain of about 4% over 1955. Maybe this is the tip-off to the start of a long period of steady expansion. Let's hope so.

U. S. Future Auto Production

I don't want to give you the impression that in the United States the automobile industry has slowed down to a walk—or that from now on we are going to be satisfied with producing on a replacement basis. Far from it. We may not triple the number of passenger cars on our roads in the next 30 years, as you people in Canada are likely to do, but we are looking for a very healthy growth. And from your point of view this can only be good news, considering the tonnages of Canadian metals that go into our cars every year.

One of our basic reasons for optimism about the long-range future of the automobile business in the United States is the rate of growth of our population. Just recently one of our leading experts on population said that if the present trend toward younger marriages and bigger families continues, by 1975 there will be 249 million people in the United States. That would be an increase of nearly 80 million in the next 18 years!

More people, more families, more teen-agers, more suburban living, higher incomes—all these things will continue to create demands for cars. And, in addition, demand is being created by the kind of cars the industry is designing and building. I won't take advantage of this occasion to tell you about all the features of the new Chrysler Corporation cars, which have been making so much news on both sides of the border. Let me simply invite you to examine them for yourselves, and by all means drive one of them.

Taking all these things into consideration, by 1965 we could see an average annual market of something like eight million new cars a year. And during the later 1960's some years could possibly even reach 10 million cars.

Greater Aluminum Demands

The meaning for Canadian industry of these high levels of production is very clear. Consider, for example, the amount of aluminum being used in a contemporary automobile. At Chrysler Corporation alone we buy close to 100 million pounds of aluminum a year. It may be of some interest to you that our new 1957 cars contain an average of 100 pounds of aluminum for each four-door sedan as compared with an average of 75 pounds for our 1956 models and an average for the industry of 45 pounds for all 1957 models. The use of aluminum may increase at an even faster pace in the future as the result of new techniques of precision die-casting now being developed. Until quite recently, aluminum die castings were limited to parts weighing eight to 10 pounds. New techniques have made castings of 75 pounds entirely feasible. With this new art developing so fast, it is feasible to look forward to die-cast automotive engine blocks made of aluminum and alloyed with zinc and weighing less than 100 pounds.

The automobile industry is not the only part of the United States economy that is using increasing amounts of aluminum. Fortune Magazine reported just recently that the yearly per capita consumption of aluminum in the United States has risen from three and a half pounds in 1947 to 24 pounds today. And by 1965 it is expected to reach 40 pounds a year.

Dynamic Combination

The use by industry in the United States of aluminum and the whole range of metals produced in Canada — nickel, iron, uranium, cobalt, titanium and many others—is only one way in which our two economies are linked together in the most dynamic combination of economic activities in the history of the world. This relationship has its frictions and its problems, and there would be very little point in trying to pretend they just don't exist. The healthy thing is to talk about them reanstically, and with as much objectivity as possible.

In recent months we on our side of the border have heard a

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Kingdom atomic energy developments increased as important industrial groups got into their stride with projects for the building of power stations following the opening of the first European plant at Calder Hall, England. The advent of atomic energy in the electric power and marine fields promises new and expanded markets for many nickel products.

While the quantity of nickel available for the **nickel-plating** industry during 1956 was somewhat greater than in 1955, the demand continued to exceed the supply as was the case in other industries. Among the new developments in this field during the year was the application of "leveling type" bright nickel deposits to critical items of textile mill equipment requiring hard, smooth corrosion-resisting surfaces. Electro-deposited nickel has continued to be a market of pre-eminent importance in Europe, despite the increasing challenge offered by aluminum and stainless steel.

The copper-nickel-zinc alloys known as **nickel silvers** continued as the most popular base materials for silver-plated tableware.

The demand for **cupro-nickel alloys** for heat exchanger tubes used in the marine, petroleum and power industries continued strong. The greater requirements for cupro-nickel alloys arise from feed water heaters and associated equipment to meet the trend of increased pressures and temperatures.

In the field of **non-ferrous castings** there were further applications of nickel-containing high-tensile aluminum bronze for propellers for large passenger and cargo ships as well as pleasure boats. This alloy is being used in increasing quantities in Europe as well as in the United States.

The production of **"Ni-Resist"** corrosion-resisting nickel cast irons increased during the year. These alloys were broadly used in the chemical process and petroleum industries and in high-powered engine service to resist corrosion, heat and wear. The output of **"Ni-Hard"** abrasion-resisting nickel-chromium cast irons also showed an increase over 1955. Leading applications for these cast irons were grinding balls and mill liners as used by the cement and mining industries.

The use of **nickel in electronics** showed an increase in 1956. In television and radio receivers and high fidelity sound systems, nickel is used principally in tubes and in permanent magnets for speakers. Guided missiles make extensive use of vacuum tubes containing nickel elements because of the ability of such tubes to operate at temperatures higher than transistors. They also require high quality nickel alloy resistors in their control and computing systems. The forthcoming International Geophysical Year program will employ nickel in a wide variety of ways, in the control equipment of rockets and satellites, in telemetering devices, and in airborne mass spectrometers and other detecting devices.

Consumption of **nickel as a catalyst** during 1956 by the chemical and allied industries showed an increase, with consumption about three times that of five years ago.

Inco's Expansion Plans

Plans announced last month by International Nickel for its new nickel-producing operation in the Mystery-Moak Lakes area of Northern Manitoba and for progressive development of its facilities in the Sudbury District of Ontario constituted the greatest single expansion program in the history of the nickel industry. The Manitoba project alone will result in an investment in that Province of some $175,000,000 over the next three to four years.

International Nickel's own capital investment in Manitoba, as currently projected, will approximate $115,000,000, with a view to initiating the production of nickel by 1960. These expenditures include the cost of opening and development of two mines—to be known as Thompson Mine and Moak Mine—of constructing a concentrator, smelter, refinery and transportation facilities and of providing certain townsite installations. The Manitoba Hydro-Electric Board will undertake construction, at an estimated cost of $32,000,000 to $38,000,000, of a large power plant to supply power for Inco's new facilities. In addition, it is estimated some $20,000,000 will be required for costs of homes and buildings at the Thompson townsite and about $5,000,000 for the construction of a 30-mile Canadian National Railways spur line to link the new operations with the C.N.R. Hudson Bay line.

The new Inco development in Manitoba is located about 40 air miles north of Winnipeg and will serve to open a new North American frontier. It climaxes 10 years of exploration by the company in Manitoba at a total cost of some $10,000,000. The Thompson town development is being planned to accommodate an initial expected population of some 8,000 persons, inclusive of the expected working force of approximately 2,000.

New Project to Lift Inco's Capacity to 385,000,000 Pounds

The project in Manitoba together with the progress under way at the Sudbury District operations will lift Inco's regular annual nickel-producing capacity to 385,000,000 pounds.

It is expected that the capacities of certain other nickel producers will also show an increase by 1960. Based on published statements free world nickel-producing capacity in 1960 may be of the following order: International Nickel, 385,000,000 pounds; Falconbridge Nickel Mines Limited, 55,000,000 pounds; Sherritt Gordon Mines Limited, 20,000,000 pounds; other Canadian producers, 15,000,000 pounds, or a total for Canada of 475,000,000 pounds; the United States Government's plant at Nicaro, Cuba, 50,000,000 pounds; Hanna Nickel Smelting Company, 17,000,000 pounds; New Caledonian ores processed in France and Japan, 65,000,000 pounds; other free world producers approximately 18,000,000 pounds.

Based on Inco's program and these announced expansion plans of others, it is expected that total free world nickel-producing capacity in 1960 will approximate from 600,000,000 to 625,000,000 pounds. This projected capacity is exclusive of supplies from any new Cuban project and represents an increase of some 175,000,000 to 200,000,000 pounds above the total for 1955. It is evident that a huge demand must be provided in order to absorb this projected enlarged nickel-producing capacity. With this very much larger supply of nickel in prospect, it is hoped that other producers will

Halsey, Stuart Group Sells Boston & Maine 6% Equip. Trust Ctfs.

Halsey, Stuart & Co. Inc. on Jan. 29 headed an investment banking syndicate which is offering today $7,080,000 Boston & Main RR., 6% equipment trust certificates maturing annually March 1, 1957 to 1971, inclusive.

The certificates, final installment of a total issue of $18,510,000, are priced to yield from 5% to 5.75%, 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 the following equipment estimated to cost $23,151,130: 1,539 steel box cars; 35 steel insulated box cars; 300 steel triple hopper cars; 26 steel covered hopper cars; 100 steel flat cars; 32 stainless steel coaches, and 2 stainless steel baggage-coaches.

Participating in the offering are: Dick & Merle-Smith; Ladenburg, Thalmann & Co.; R. W. Pressprich & Co.; Baxter & Co., Fahnestock & Co.; New York Hanseatic Corp.; Shearson, Hammill & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; Suplee, Yeatman, Mosley Co. Inc.; F. S. Yantis & Co. Inc.; and C. F. Childs & Co. Inc.

Hutner Director

Herbert L. Hutner, Vice-President of Blair & Co. Incorporated, has been elected a director of Universal Products Co. Inc., it was announced yesterday. Mr. Hutner is also President and a director of Mount Vernon Life Insurance Company of New York.

Joins Thill Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert C. Bougneit is now with Thill Securities Corp., 704 North Broadway.

actively pursue long-range research and development of uses and markets for nickel as Inco has done over the past half-century.

CLIFFORD R. WALKER

President, Merrill Petroleums Limited

The year 1957 should be another record year for the Canadian Oil Industry. As more and more wells are drilled, our chances of discovering oil improve. Technological advancements help us to detect the presence of oil and gas more surely and to increase the amount we can economically recover. We will find more oil; recover more of what we find; and improve the economics of finding new reserves in this area.

Clifford R. Walker

Although hampered by inadequate pipeline outlets, we will nevertheless, increase our sales of crude oil by some 15%. However, plans for and actual refinery expansion during 1957 will lay the groundwork for a substantial increase in market outlet in Eastern Ontario and the Pacific Northwest during the next three years that could place Western Canadian production in the 1,000,000 barrel per day classification in 1960.

Company earnings should continue to increase although current credit restrictions complicate essential expansion. I would like to see more selective credit controls initiated as there is no doubt in my mind that the existing blanket restrictions are most inequitable to small business in all segments of our industry.

J. R. WHITE

President, Imperial Oil Limited

It is expected that economic activity in Canada will increase again in 1957, although not as rapidly as in 1956.

The Canadian oil industry should experience another very good year. The markets for crude oil will expand and the demand will require full use of pipeline capacities. Investment expenditures will reach new peaks and will be principally for exploration and development; but there will also be large investments in refining, transportation and marketing to keep pace with demand and product quality requirements.

J. R. White

The year will be notable for the Canadian natural gas industry, because gas will begin to flow to the Pacific Coast and as far east as Winnipeg.

An important and increasingly significant phase of the oil industry, petrochemicals, will make great strides with the completion of new facilities adequate to supply Canadian demand for important petrochemical products.

Increased crude production, larger refinery runs and greater sales volumes will result in better earnings for the Canadian oil industry; but, as noted, capital commitments will be on a bigger scale than ever before.

EDWARD C. WOOD

President, Imperial Tobacco Company of Canada, Limited

The Tobacco Industry in Canada has continued along the path of steady growth which it has been following during the past few years. All known indicators point to a continuation along this course well into 1957. Again the trend has been to an increased demand for tailor-made cigarettes, and cigarette smokers continue to demonstrate their liking for the filter-tip variety. Cigar sales are showing a satisfactory recovery.

Edward C. Wood

High levels of Excise taxation place a great restriction on the products of the Tobacco Industry in the over-all competition to attract the consumer dollar.

Tobacco farmers' crops yielded good prices and, despite the unfavorable weather conditions experienced in 1956 resulting in a disappointingly short crop, Canadian tobacco competed favorably, both in quality and price, with similar tobacco produced in other parts of the world, and all orders received from foreign sources were filled. The high level of employment in Canada caused a great scarcity of labor for harvesting the tobacco crop, and this condition forced wages upwards to higher rates than those obtaining formerly.

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number of excellent speeches by eminent Canadians on the subject of investments in Canada by firms in the United States. These men have given us some very straight talk. All of us have been impressed by the frankness as well as the fairness of their approach. They have mentioned the fact that investment funds from the United States have a stabilizing influence on Canada's balance of payments. They have described in some detail the effect of United States investments on the filling out, the diversifying, the broadening of the Canadian economy. They have taken pains to make clear how Canada, through these investments, benefits from the technical and scientific resources of American industry. And they have pointed out that in spite of the very sizable amounts of capital flowing into Canada from the United States and the rest of the world, Canada is financing three-fourths of her own capital needs.

They have also reminded us in the United States that Canada is a sovereign nation—that even if the border is so invisible as to seem non-existent, Canada has her own objectives as a nation which she intends to reach in her own way. And they have made specific and courteous suggestions to United States companies with operations in Canada regarding the participation of Canadians in those operations. I think you will agree that we at Chrysler have anticipated some of the suggestions of these distinguished men, and I assure you that we are taking all of their suggestions into consideration in planning our course for the future.

Future Stability and Security

Sound working relationships between Canada and the United States are vital to the future of our great economic partnership. And it is important to the future stability and security of the free world that this partnership remain strong, so that together, through the normal course of trade and investment, we can help set in motion in other parts of the free world the same forces that have made our own countries so productive.

Each one of us looks at the world from his own point of vantage. And I, naturally, think of all the constructive developments that may take place when people in other parts of the world begin to use the motor vehicle as we have used it on this continent. A very impressive mass of facts can be assembled to demonstrate that motor transport and all the activities associated with it constitute the heart of our dynamic North American economy. On a recent trip to Europe I saw on all sides the widespread economic effects of the recent rapid expansion of the automobile industry. And it is pretty safe to predict that as the passenger car and truck come into wider use in the underdeveloped countries of the world, economic growth will receive a similar stimulation.

World Automotive Revolution

There is some real hope that we may be in the very early stages of a world-wide automotive revolution of the kind we have seen in our own countries. According to the International Road Federation, motor vehicle registration has at least doubled in every major geographic area since 1940. In Latin America and Asia the number of cars and trucks has tripled in the same period—but the number to start with was of course very small. India, with a population of

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close to 400 million, still has only slightly more than 300,000 motor vehicles. And China, with 600 million people, has only 120,000 cars, trucks and buses. But here and there real progress is being made. In Turkey, in the Union of South Africa, in Venezuela and many other countries, roads are being built at a very high rate and the motor vehicle population is rising rapidly. Because it will lead to economic growth of all kinds, this increasing use of motor vehicles means opportunity for every other kind of business with trade or investment activities in other parts of the world.

The ability to export private capital from this continent in anything like the amounts demanded by an expanding world economy is going to require steady expansion of our two great economies on a sound and stable basis. Right now one of the most serious problems on our side of the border is the control of inflation. Demands for goods and services of all kinds — combined with the highest levels of personal income on record—are pushing our economy right up against its top limits of performance. After enjoying several years of remarkable stability in the value of the dollar, we now find prices creeping upward. Controlling inflation—without starting a trend toward deflation—is going to continue to require steady hands in Washington. And it is up to us in business to give solid support to the efforts of our government officials as long as their programs are aimed at encouraging a big volume of sound business.

Forward Planning

To keep the economies of Canada and the United States expanding steadily and soundly is also going to require sound and confident forward planning by private business. Contemporary business management in Canada as well as the United States has come to look upon planning as one of its most important functions. The higher the level of management, the more preoccupied it must be with the shape of things to come. The fundamental responsibility of top business management is to make sure the long-range objectives of an organization are consistent with the long-term possibilities of its own national economy and with the society in which the organization lives and develops. When private business managements in Canada and the United States take the long view, they help to build stability and confidence throughout the world.

The present world situation calls for foresightedness, patience and restraint on the part of all of us who help to get work done in this part of the world. That means just about everybody—in business, government, the professions, labor and agriculture. In these troubled times the big job for both our countries is to keep strong and keep moving ahead. Every one of us is part of this great effort. And we can all take satisfaction from the knowledge that what we do from day to day is helping to build strength and confidence here at the heart of the free world.

To Be Gaines Partner

Thorvald F. H. Tenney, member of the New York Stock Exchange, on Feb. 1 will be admitted to partnership in the Exchange member firm of Gaines & Company, 40 Wall Street, New York City. Mr. Tenney has been active as an individual floor broker.

Eisenhower Requests $2 Billion Federal Aid To Build Schools

Characterizing the critical classroom-shortage as "unprecedented in its sheer magnitude" and, thus, constituting a national "temporary emergency situation," U. S. Chief Executive requests Congress to authorize a four year program to inject over $2 billion into our public schools. Proposes government purchase $750,000,000 local school bonds, $1,300,000,000 be granted for school construction, advances to help provide reserves for bonds issued by school agencies, and $20 million matching grant program.

On Jan. 28, President Dwight D. Eisenhower presented to Congress a four year "crash" program, totaling over $2 billion, to alleviate a critical accumulated schoolroom shortage. The national emergency measure is "designed to assist and encourage the states and communities in catching up with their needs" and is not intended to negate state and local responsibility for normal educational needs nor interpose Federal control over education. In order to allocate the funds a formula is suggested which would provide funds on the basis of school-age population, state income per school child, total effort made within each state to provide funds for public schools, and priority to local school districts with the greatest need for school facilities and the least local financial ability to meet the need.

Pres. Eisenhower

Following is the text of President Eisenhower's Message to Congress:

To the Congress of the United States:

In several previous messages to the Congress, I have called attention to the status of American education—to accomplishments of the past and to certain problems which deeply involve the national interest and welfare.

Today, more Americans are receiving a higher level of education than ever before. Progress has been made in building more and better teachers. And yet problems in education still persist, and time has more clearly defined their scope and nature.

The educational task in this country is basically a state and local responsibility. Looking ahead, that task is unprecedented in its sheer magnitude. Elementary and secondary schools already are overflowing under the impact of the greatest enrollment increase in our history. The number of pupils in public schools has increased by 5,500,000 in the past five years, and will further increase by about 6,000,000 in the next five years.

We have already reached an all-time peak in enrollment in colleges and universities. Yet, in the next 10 to 15 years, the number of young people seeking higher education will double, perhaps even triple.

Federal Aid Required

Increasing enrollments, however, by no means represent the whole problem. Advances in science and technology, the urgency and difficulty of our quest for stable world peace, the increasing complexity of social problems—all these factors compound our educational needs.

One fact is clear. For the states, localities, and public and private educational institutions to provide the teachers and buildings and equipment needed from kindergarten to college, to provide the quality and diversity of training needed for all our young people will require of them in the next decade the greatest expansion of educational opportunity in our history. It is a challenge they must meet.

State and local responsibility in education nurtures freedom in education, and encourages a rich diversity of initiative and enterprise as well as actions best suited to local conditions. There are, however, certain underlying problems where states and communities — acting independently — cannot solve the full problem or solve it rapidly enough, and where Federal assistance is needed. But the Federal role should be merely to facilitate — never to control — education.

Teacher Shortage

Solutions to all of the other problems in education will be empty achievements indeed if good teaching is not available. It is my earnest hope that the states and communities will continue and expand their efforts to strengthen the teaching profession.

Their efforts already have accomplished much. Progress has been made in reducing the teacher shortage. There are encouraging increases in the number of persons training to teach and the proportion of those so trained who enter the profession. Still, this year, thousands of emergency teachers with substandard certificates had to be employed. Far more needs to be done in our various communities to enhance the status of the teacher — in salary, in community esteem and support—and thereby attract more people to the profession and, equally important, retain those who bear so well the trust of instructing our youth.

Office of Education

By providing statistics and analyses on trends in education and by administering other services, the United States Office of Education performs a valuable role in helping public and private educational institutions better to perform their tasks.

A significant first step was taken last year toward strengthening the Office of Education. The appropriation for the office was increased to implement a cooperative research program, and to expand statistical and professional advisory services and studies.

This year I am asking for increases in funds for these activities, because they hold such promise for real progress toward solving some of the basic and long-standing problems in education.

Education Beyond the High School

If the states, localities and public and private educational institutions are successfully to meet, in the next decade, the increasing needs for education beyond the high school, their effort must begin now. The Federal Government, however, can take certain appropriate steps to encourage such action.

Already the Congress has enacted legislation for long-term loans by the housing and home finance agency to help colleges and universities expand their dormitory and other self-liquidating facilities.

Last year I appointed a committee on education beyond the high school, composed of distinguished educational and lay leaders, to study and make recommendations in this field. The committee's interim report of last November delineates issues that should have the most careful attention.

It pointed out that much more planning is needed at the state level to meet current and future needs in education beyond the high school. The Congress at the past session enacted Public Law 813, which authorized Federal funds to help the states establish state committees on education beyond the high school. The funds, however, were not appropriated. I recommend that the Congress now appropriate the full amount authorized under this legislation.

The state committees can do much to promote discussion, define problems and develop recommendations. Their recommendations, however, must be supplemented by detailed plans to meet specific needs for expansion of physical facilities, enlargement of faculties and other adjustments which may provide new or different institutions. Such detailed planning requires the coordinated effort to both public and private education in each state—and time, personnel and funds.

I recommend that the Congress amend Public Law 813 so as to authorize grants to the states of $2,500,000 a year for three years for these purposes.

Federal Aid for School Construction

Of all the problems in education, one is most critical. In 1955, and again last year, I called attention to the critical shortage of classrooms in many communities across the country. The lack of physical facilities is a temporary emergency situation, in which Federal assistance is appropriate. Unquestionably, a very considerable portion of the shortage is due to World War II restrictions on all types of civil construction, including schools. With Federal help the states and communities can provide the bricks and mortar for school buildings, and there will be no Federal interference with local control of education.

I again urge the Congress to act quickly upon this pressing problem.

Today there are enrolled in our public school about 2,225,000 children in excess of the normal capacity of the buildings in use. These children are forced to prepare for the future under the handicap of half-day sessions, makeshift facilities, or grossly overcrowded conditions. Further, many classrooms which may not be overcrowded are too old or otherwise inadequate. They should be promptly replaced.

The need for Federal assistance in eliminating this shortage is not theory, but demonstrated fact. It cannot now be said—realistically—that the states and communities will meet the need. The classroom shortage has been apparent for a number of years, and the states and communities have notably increased their school building efforts. Each year, for several years, they have set a new record in school construction. And yet, in the face of a vast expansion in enrollments each year, many areas are making inadequate progress in reducing the shortage accumulated over many past years. The rate of state and local construction is spotty, with noticeable lags in areas where needs are expanding most rapidly.

Authorization Requested

I propose, therefore, a comprehensive program of Federal assistance. The program is designed to accomplish in four years what last year's proposals would have done in five, since one year has already been lost. I urge the Congress to authorize:

(1) Federal grants to the states for school construction, at the rate of $325,000,000 a year for four years, a total of $1,300,000,000.

(2) The authorization of $750,000,000 over the four-year period for Federal purchase of local school construction bonds when school districts cannot market them at reasonable interest rates. These loan funds would be made available to the states on the basis of school-age population. The state educational agency would determine the priority of local school districts for Federal loans based on their relative need for financial aid in the construction of needed school facilities.

(3) Advances to help provide reserves for bonds issued by state school-financing agencies. This would facilitate the issuance of these bonds to finance schools which would be rented and eventually owned by local school districts.

(4) The expenditure of $20,000,000 in matching grants to states for planning to strengthen state and local school construction programs.

As I indicated in my message on the State of the Union, I hope that this school construction legislation can be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration.

Basic Principles

Certain basic principles must govern legislation on Federal grants for school construction, if they are to serve the cause of education most effectively.

First, the program must be recognized as an emergency measure designed to assist and encourage the states and communities in catching up with their needs. Once the accumulated shortages are overcome, if state and local autonomy in education is to be maintained, the states and communities must meet their future needs with their own resources and the Federal grant program must terminate. The states and communities already are building schools at a rate which clearly shows their ability to do this.

Second, Federal aid must not infringe upon the American precept that responsibility for control of education rests with the states and communities. School construction legislation should state this policy in no uncertain terms.

Third, Federal aid should stimulate greater state and local efforts for school construction. Many states now make no contribution to school construction, and in some states which do contribute, the amount is relatively small. Further, to increase total funds for school construction, Federal grants should be matched by state-appropriated funds after the first year of the program.

Fourth, the allocation of Federal funds among the states should take into account school-age population, relative financial ability to meet school needs, and the total effort within the states to provide funds for public schools. An allocation system based solely on school-age population would tend to concentrate Federal aid in wealthy states most able to provide for their own needs. An allocation system which provides more assistance to states with the greatest financial need will help reduce the shortage more quickly and more effectively.

Fifth, in distributing grants under this program within each state, priority should be given to local districts with the greatest need for school facilities and the least local financial ability to meet the need.

In a nation which holds sacred

the dignity and worth of the individual, education is first and foremost an instrument for serving the aspirations of each person. It is not only the means for earning a living, but for enlarging life — for maintaining and improving liberty of the mind, for exercising both the rights and obligations for freedom, for understanding the world in which we live.

Collectively, the educational equipment of the whole population contributes to our national character—our freedom as a nation, our national security, our expanding economy, our cultural attainments, our unremitting efforts for a durable peace.

The policies I have recommended in education are designed to further these ends.

DWIGHT D. EISENHOWER

President Sends Report On Economy to Congress

Grounds for confidence are expressed, in President's Letter of Transmittal accompanying annual Economic Report, that 1956 prosperity will be extended into 1957, as well as the accompanying uncertainties which include price inflation and sufficient flow of new savings. Wants individuals, economic groups and government to meet responsibilities set forth in Employment Act; contends "government must use all practical means to promote high levels of production and employment . . . ."

On Jan. 23, President Eisenhower sent to Congress his annual Economic Report, and in his letter transmitting major conclusions and recommendations, as required by the Employment Act of 1946, pointed out the government's obligation to use all practical means to meet the Employment Act's goals. The transmittal letter reviewed the economic progress made since 1953 and indicated the measures that should be taken to strengthen and broaden our economic system, without impairing our incentives, competitiveness, economic growth and stable prices. The Chief Executive appealed to individuals, business and labor to meet their responsibilities, and recommended a national monetary and financial commission to study capital and credit needs and controls.

Pres. Eisenhower

The text of the President's letter of transmittal accompanying the Economic Report follows:

To the Congress of the United States:

I present herewith my economic report, as required by Section 3 (a) of the Employment Act of 1946.

In preparing this report I have received the assistance and advice of the Council of Economic Advisers. I have also had the advice of the heads of the executive departments and independent agencies of the government.

I set forth below, essentially in the words of the report itself, what I consider to be its major conclusions and recommendations.

Opportunity and Responsibility In a Free Economy

The vast productive power of the American economy was demonstrated again in 1956 in a record national output of $412 billion of goods and services.

In addition to providing this material basis for better living, our free economy gives indispensable support to our form of political life and offers unparalleled opportunities to the individual for personal choice and development.

Important responsibilities accompany these opportunities. They are borne in part by government, but they must be borne also by the individual in his own economic activity and in his organized activity with others.

Government must use all practicable means to promote high levels of production and employment, and to contribute toward achieving an expanding and widely shared national income, earned in dollars of stable buying power. It must pursue policies that encourage the enterprising spirit of our people and protect incentives to work, to save and to invest.

It must exercise a strict discipline over its expenditures and avoid taking in taxes too much of the income of individuals and businesses. It must strive to strengthen competitive markets and to facilitate the adjustment necessary in a dynamic economy.

Even more exacting are the responsibilities of individuals and economic groups. Business managements should formulate and carry out their plans so as to contribute to steady economic growth. They must also recognize the broad public interest in the prices set on their products and services.

Both management and labor should remove restrictions on the operation of competitive markets and enhance the economy's adaptability to change. Of particular importance in a prosperous economy is the responsibility of leaders of business and labor to reach agreements on wages and other labor benefits that are consistent with productivity prospects and with the maintenance of a stable dollar.

Reliance of stability in economic growth cannot be placed exclusively on the fiscal and monetary policies of government. The successful extension of prosperity with price stability calls for a cooperative effort in which the policies of individuals and economic groups and of all levels of government are consistent with one another and mutually reinforcing.

Economic Growth and Improvement, 1953-56

The opportunities which our free economy provides for the improvement of well-being are clearly evident in the record of the last four years. Civilian employment increased by about 3.7 million. Per capita personal income measured in constant dollars rose 10% after taxes. Five million homes were built and home ownership became more widespread. Rising incomes enabled consumers to expand their purchases of virtually all types of goods and to make important improvements in their own provisions for financial security.

Participation in, and support of, religious, cultural, educational, and civic activities increased significantly.

Great strides were taken in the expansion and improvement of the nation's productive facilities. Business firms and farmers spent over $150 billion for this purpose. These investment outlays contain the promise of greater national output and better living in the years ahead.

Agriculture has faced difficult problems in this period, resulting chiefly from the persistent tendency for production to exceed commercial demands. Progress has been made, however, toward a better balanced farm economy, and there has been some recent improvement in farm income.

To sustain agricultural progress, experience suggests that continued emphasis is needed on the basic objectives of the last four years —wider freedom for our commercial farmers in managing their own enterprises, appropriate shifts in the use of the nation's cropland, an improved system of price supports, and research into new products, markets, and uses.

The period was marked by economic improvement throughout the free world and by a notable expansion of international trade and finance, including our own exports and imports. Sharp increases have occurred in our exports to industrialized countries with high per capita incomes and to others currently experiencing a rapid rate of economic growth. This fact shows that prosperity elsewhere widens markets for the products of our farms, mines, and factories.

The contributions that government can make toward the achievement of stable economic growth have been evident during the last four years. The 1953-54 experience demonstrated that, when consumer and business confidence is maintained, timely public policies can help keep the recessionary tendency in check. The government policies followed in 1955 and 1956 helped to moderate the upward pressure on prices and to prevent conditions that would threaten economic stability.

Economy in 1956

The nation's aggregate output of goods and services in 1956 was $21.5 billion greater than in 1955, despite a decrease in activity in some sectors of the economy, notably in automobile production and home construction.

Heavy expenditures for new plant and equipment by business concerns, increases in foreign trade and investment, a high rate of consumer expenditures, and rising outlays by state and local governments contributed to the expansion. About half of the increase represented a gain in physical output, and the remainder reflected moderately higher prices.

Sizable gains in employment were made in important sectors of the economy; for the year as a whole, there was an increase of 1.8 million over 1955 in total civilian employment. Incomes rose for all major groups of income recipients.

As the year progressed, farm income improved. There were further advances in the value of farm land, in the net worth of farm proprietors, and in agricultural exports. Farm technology continued to improve.

Financial markets and prices were under continuous pressure. Interest rates rose as the demand for credit continued large relative to the supply of funds. The unusually heavy demands of business concerns tended to raise prices of capital goods and related commodities. High costs of raw materials and wage increases that tended to outrun the year's small gain productivity were pervasive factors making for higher prices.

Pressures on prices, costs, and financial resources in 1956 called for the continuation of policies designed to counter inflationary forces. The Federal Government's budget surplus contributed to this end, as did the credit restraints imposed by the Federal Reserve System.

The events of the year showed, however, that when production and employment are high, wage and price increases in important industries can create upward pressures on costs and prices generally, and that the monetary and fiscal policies of government must be supported by appropriate private policies to assure both a high level of economic activity and stable prices.

Extending and Broadening Economic Progress

This report outlines legislative proposals designed to carry out the declared policy of the Employment Act. They include measures to strengthen our enterprise system, enlarge our national resources, and improve the level of living.

Government can strengthen the enterprise system at this time by preserving a balanced budget. Accordingly, the Congress should continue tax rates at their present levels, and Federal expenditures should be strictly limited.

Our enterprise system would also be strengthened by legislative measures to assist small businesses and to foster competition. These measures, which the Congress is urged to consider, include extension of the Small Business Act beyond June 30, 1957; easier access of small- and medium-sized companies to capital markets; such tax adjustments as can be made with a minimum loss of revenue; and reduction of the burden of paperwork imposed by government. The Congress is also urged to provide for needed improvements in the antitrust laws and in the procedures available to enforcement agencies.

Recent changes in our financial structure and practices call for careful study of the adequacy of existing facilities for meeting the nation's capital and credit requirements and of the means for exercising appropriate controls over credit. As requested in the State of the Union message, the Congress should authorize a national monetary and financial commission to perform this important task.

Our enterprise system would benefit from United States membership in the Organization for Trade Cooperation and participation in the International Atomic Energy Agency, and from continuation of economic assistance, including defense support, under the Mutual Security Program.

Additional measures are required to enlarge and improve our national resources. The partnership principle, which encourages local leadership and participation in the development of water and power resources, should continue to be given close attention in current authorizations and appropriations.

To aid agricultural adjustments, recommendations will be made to the Congress for an improved acreage-allotment and price-support program for corn, and for steps to deal with problems of land use and water shortage accentuated by recent drought conditions. Extension of Title I of the Agricultural Trade Development and Assistance Act for one year, and a limited increase in permissible losses, would be a useful short-run measure for helping reduce surplus stocks of farm commodities.

The Congress is again requested to enact a program of Federal assistance for developing the economic base of local areas experiencing persistent unemployment.

No proposal for enlarging our national resources is more important than that for Federal assistance in overcoming the critical shortage of schoolrooms. The Congress is urged to enact a program which would help meet the backlog of these needs within four years. After that time full responsibility for school construction should revert to the state and local governments.

Further advances in the level of living would be accomplished by measures to raise the nation's standards of housing, health and personal security. Home building and ownership would be aided by an adjustment that would bring the maximum interest rate on VA-guaranteed home loans into closer conformity with competitive market rates; by an increase of funds for the secondary market operations of the Federal National Mortgage Assn.; and by an extension of the voluntary home mortgage credit program.

Health standards would be advanced by legislation to encourage voluntary health plans and by a program of construction grants for medical and dental training facilities.

Personal security would be strengthened by extending unemployment insurance coverage to employees of small firms and certain other groups; by broadening minimum wage legislation to cover additional workers needing this protection; by requiring Federal registration and reporting by private pension and welfare funds; and by a program of technical aid and limited financial assistance to states for promoting occupational safety.

Conclusion

There are grounds for confidence that the nation's over-all prosperity will be extended into the months ahead. A moderate rise in business capital outlays is indicated. Construction expenditures and foreign trade and investment should continue to favor economic expansion. The combined expenditures of Federal, state and local governments are expected to be higher. Consumer expenditures should be sustained by favorable employment conditions and good earnings.

However, uncertainties and problems are always present in the economic situation and require careful attention. These include the present international situation, the upward pressure of costs and prices, factors affecting capital outlays by business, and the provision of an adequate flow of new savings to meet the prospective heavy demands for funds.

These and other uncertainties and problems which inevitably arise in a dynamic economy challenge individuals, economic groups and government to meet their respective responsibilities for maintaining stable economic growth. If all live up to these responsibilities, the capacity of our economy to provide the high levels of employment, production and purchasing power envisaged by the Employment Act, and broadly attained in the past year, will be further enhanced.

DWIGHT D. EISENHOWER

Six New Members of Harris, Upham's 25-Year Club

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, has announced that M. James Morphett, Assistant Cashier in the firm's New York headquarters, is one of six associates of the firm who have qualified for membership in Harris, Upham's 25-Year Club.

New members from the firm's Chicago office are Flory Penn, Chicago office manager; Frank Swade, Chicago office board room manager; James Roberts, Chicago payroll and time cards manager; Albert Griggs, senior receptionist in the Chicago office; and John Murray, Evanston office manager.

Horace Pomeroy

Horace B. Pomeroy passed away Jan. 24 at the age of 77. Prior to his retirement he had been an officer of Schoellkopf, Hutton & Pomeroy, Inc.

Lawson, Miller Named NASD Dist. Chairmen

Richard Lawson, Partner, Lawson, Levy & Williams, San Francisco, was elected Chairman, and Robert Revel Miller, President,

Richard Lawson Robert Revel Miller

Revel Miller & Co., Los Angeles, was elected Co-Chairman of District Committee No. 2 (California and Nevada) of the National Association of Securities Dealers.

Mr. Lawson succeeds Frank Dyer, Jr., Wagenseller & Durst, Inc., Los Angeles, and Mr. Miller succeeds Albert E. Schwabacher, Jr., Schwabacher & Co., San Francisco.

After graduation from Stanford University in 1925, Mr. Lawson joined Anglo California National Bank, now Crocker-Anglo National Bank, San Francisco. In 1935 he became a partner in Lawson, Levy & Williams which has been maintained at the same location since that date.

Mr. Miller has been with Revel Miller & Co. since graduation from the University of California in 1938, except for six years' service with the United States Army as an infantry officer. He became President in 1949.

Coughlin & Co. Now A Corporation

DENVER, Colo.—As of Jan. 2, 1957, the firm of Coughlin and Company, 8th Floor, Security Building, Denver, Colorado, became a Corporation, with the following officers:

Walter J. Coughlin, President and Treasurer; Edward B. Coughlin, Executive Vice-President and Secretary; Wallace B. Westerman, Assistant Treasurer and Cashier; Walter F. Imhoff, Assistant Vice-President; Robert F. Gerwin, Assistant Vice-President; Herbert P. White, Assistant Treasurer; Chas. O. Van Meter, Assistant Secretary.

The firm was originally established as a co-partnership in 1934.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The upward surge in the Government securities market has carried quotations of these obligations to levels that have induced some profit taking. However, in spite of this, the technical action of the market is still considered favorable by most money market specialists. To be sure, the market for long-term Governments continues to be thin on both sides, although there is evidence that the investment commitments in these securities have been on the increase.

The substantial upward movement in prices of Government bonds brings with it the question as to whether the turn has now come in these obligations or is it just another rebound from an over-sold condition which will again turn out to be a false start on the upside? Even though money market conditions are still restricted, there is more long-term money available for investment at satisfactory yields.

Treasury Bond Market Buoyant

The strength in the Government bond market has taken prices of these securities very sharply up from their recent all-time lows. As the turn came about in quotations of Treasury issues, there was not very much of an expansion in investors' interest in these obligations, which meant that traders and dealers were mainly responsible for the initial betterment which took place in prices of these securities.

It is reported that the combination of short-covering, a very modest amount of position building, along with some minor investment buying, as well as a scarcity of offerings, has tended to keep the Government bond market very much on the upside. The recent sharp betterment in prices of Treasury issues has improved the sentiment in the money market as a whole, and this probably has helped the recent new offerings of corporates and tax-exempt bonds to get a very favorable reception.

On the other hand, it could also be strongly argued that the corporate and tax-exempt new issues have been responsible for the improved condition of the Government bond market.

Short-Term Securities Continue in Demand

The short-term Government securities still have a good demand and the $100,000,000 additional of Treasury bills were taken in stride. The Government is in need of cash and the 91-day obligation is the easiest way now in which to obtain these funds. Whether or not there will be further new money raised by way of Treasury bills appears to be a matter that will be decided upon each week. Also, the small additional amount of Treasury bills coming into the market will tend to stabilize yields in the short-term Government market. This is the sector of the money market which is expected to be the first to reflect any easing in credit conditions.

It is the opinion of many money market observers that the commercial banks will be large buyers of Treasury bills as soon as credit conditions ease a bit, because there is a definite need to build up the liquid positions of these institutions. Also, it is not expected that the deposit banks will, as was true in the past, be inclined to make long-term loans with funds that might become available to them through easing of money conditions.

Non-Government Issues Well Received

The capital issues which have been coming into the corporate bond market have been very well received, which seems to indicate that institutional investors have ample funds available for these new offerings when the yields are right, as they seem to have been. It is reported that a fair part of the money which is now going into fixed income issues would ordinarily be put into common stocks.

However, due to some uncertainty which seems to be creeping into the economic picture and the favorable yields that are available in fixed income bearing obligations, institutions appear to be taking a more active interest in new offerings of non-Government bonds. The tax-free bonds have also been going well, with the new offering in this instance also setting the pace for these obligations.

Again, advices indicate that the intermediate-term Government issues are being rather well taken, with money that is being put to work for defensive purposes being invested in these securities.

Pension Funds Taking Long Bonds

Pension funds continue to be among the principal buyers of the long-term Government bonds, with reports that the size of these commitments have been increasing. According to reports, Government agency accounts and money coming out of Treasury savings bonds have also been going into the long-term issues.

Eastman Dillon Places Two Large Issues for Olin Revere Metals

Eastman Dillon, Union Securities & Co., it was announced on Jan. 29, has negotiated agreements relating to the private placement by Olin Revere Metals Corp. of $100,000,000 of first mortgage 4½% bonds, series A, due 1978, and $100,000,000 of 4¼% notes maturing semi-annually from 1959 to 1963. The proceeds are to be used for a large expansion program.

Olin Revere Metals Corp. is jointly owned by Revere Copper & Brass, Inc. and Olin Mathieson Chemical Corp.

Form Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Columbine Securities Corporation has been formed with offices at 1780 South Broadway to engage in a securities business. Officers are Henry K. Johnston, President; Willie M. Colley, Jr., Vice-President; and William A. Cannedy, Secretary-Treasurer.

Cecil R. McMichael will also be associated with the firm.

Continued from page 4

Recessions Are Not Corrected by Inflationary Money Policies

of the great machine that we have built up.

Effectiveness of Interest Rates

I went through a period in Washington where it was very popular to say that interest rates don't make any difference, exchange rates don't make any difference, the law of supply and demand is something that does not really have any influence on a fully developed country and there are many ways in which that can be handled by government policy. Now, there is a modicum of truth in that but the ingredients of our American business machine, however you want to describe it, seem to me to be fairly simple from our early days right through to the present time.

It is essentially: private property, competitive enterprise, the profit motive, operating in, around and through the open market, adjustments being made in the open market through the price mechanism on the basis of supply and demand, except where the legislative process has determined that the law of supply and demand shall not be permitted to exercise its controlling influence because the greatest good for the greatest number and the greatest good for the economy and the community as a whole requires some adjustment to that.

Work With Supply and Demand Law

I am not going to make an argument about whether the adjustments that have been made are wise or unwise. I merely want to emphasize the fact that the adjustments which we have come to in terms of this market process have been carefully thought through and that they have not intended to suggest that the law of supply and demand is abolished, that the law of supply and demand is not with you any more than that the law of gravity is not with you when you take a plane and hurtle it into the air. The emphasis in approaching the market process must be on the price that has to be paid whenever one decides that this price mechanism, this open market operation, whether it is throttled by cartel or administered prices or however it is done, is to be basically changed.

Federal Reserve's Purpose

Now, our Federal Reserve System was a departure from the free market policy. We deliberately embarked upon a policy of a managed currency. The Federal Reserve was requested to intervene in the market, but in my judgment the history of the Federal Reserve Act and the history of the system does not indicate that the American people intended that the Federal Reserve System should endeavor to abolish the law of supply and demand in the money market, that it did not intend that the Federal Reserve System should attempt to make the market. It merely meant that the Federal Reserve System should endeavor to do what it could to minimize the fluctuations in the money market in such a way as to promote our health, high levels of employment and a productive standard of living.

Essentially in the Employment Act of 1946 we used the phrases "Maximum Production," "Maximum Employment," "Maximum Purchasing Power." Those mean different things to different people, but my interpretation of the act is clearly that our endeavor is to create and sustain and maintain employment.

Fundamentally in the last 10 years we have tended to underestimate the vitality and the strength of our economy. We have tended to let our fears of another 1929, our fears of the difficulties that we got into, make people believe that you could not permit even a mild adjustment at any time without having catastrophic events follow. I say to those people who take the view that on the basis of money policy you will precipitate unemployment by permitting the forces of supply and demand to have their play, not unleashed like the freedom of the jungle, but in terms of recognizing the balancing effect, the equilibrium effect of demand and supply, that the interplay of those forces will have a salutary effect.

Prefers "Adjusting" Forces

Regardless of whether it is handled perfectly or wisely or inefficiently by the Treasury and the Federal Reserve, the fundamentals of our economy are such that by and large we can have faith in the adjusting quality if we have character and intelligence on the part of our businessmen and our community; and if we are depending upon the Treasury or the Federal Reserve or the U. S. Government to correct our excesses and make it possible for us to avoid our mistakes without any loss, then we are inevitably doomed at some point to a greater correction than any of us would wish to have happen.

To me that is just plain common sense and I think if you stop and think about it you will see that there is considerable merit in going back to old-fashioned principles. I am not holding them forth as virtues in themselves, nor am I making a plea for Puritanism. I don't want to see anybody punished. I am not anxious to see any businessman in trouble. I am a professional worrier, as I frequently say. That is what my job is, and I am worried about the situation all the time. The more people make money and the more business expands and develops on a sound basis, the better, naturally, the Federal Reserve likes it, but if we think that we can avoid the decisions of the market place by a little bit of inflation, I think we are just living in a fool's paradise that will eventually run its course.

Case of Loose, Not Tight, Money

What about tight money, so-called, in the last couple of years? I was amused about how you use these terms. Actually I think it has been more a case of loose money than it has been of tight money. Let me illustrate very simply by saying that a ticket broker over on Broadway that I have known for 28 years, in reading about tight money recently, he told me, he said, "I don't know what they are talking about, Mr. Martin. I have seen more William McKinleys recently than I have ever seen before in my life." I had to go out and look it up to find out that that is what is on the back of a $500 bill.

Money has been floating around in a very generous way. More corporate securities, more state, municipal and county securities have been floated than ever before, and successfully — true, at higher interest rates. Bank loans have expanded, in some instances I think perhaps a little bit more generously than would have been wise because there has been a tendency for short-term bank credit to be used for long-term investment, and it has been obvious that the supply of savings which comes either directly from individuals or comes through institutions such as mutual savings banks and insurance companies, public and private pension funds, and flows into the market, has been inadequate to cover the demand for credit that has existed. Yet, nevertheless, in the first few days of the New Year there have been a number of millions of securities successfully floated and, so far as I have been able to determine, the market has on the whole handled the situation extremely well. Money has not been completely unavailable but its reaction to the force of supply and demand has been there.

Market Background

Now, what is the background of that? Just a few comments on it:

For over two years we have had a pretty steady persistent wage-cost-price spiral. I am not commenting on whether it is wise or unwise, I am just saying it is there. We have had an inventory situation which statistically has appeared to be pretty good, but don't forget that inventories are the poorest figures that we have. When a businessman is trying actively to build an inventory and he is not successful, it usually means that his sales are exceeding his expectations and suddenly you have an inventory problem on your hands if those sales dip. That is what happened to us in '53 and '54. We had a wonderful statistical picture on inventories in the early part of '53, and by late '53 it looked pretty black indeed.

We have had record levels of consumer credit and record levels of mortgage credit. We have had an amazing amount of activity on those credit fronts.

We have had high levels of employment persistently, and then on top of that we have had a capital boom of unparalleled proportions, all of which is good, all of which, if it is financed properly, is correct, but let me throw in here that the problem is highlighted, I believe, in terms of common sense at that particular point.

Absolves Fed From '51 Recession

Let us take the '53-'54 recession as a simple illustration. I have friends in Congress — and there may be some in this room — who honestly believe that the Treasury and the Federal Reserve, if they had handled things perfectly in 1953 there wouldn't have been any inventory recession, there wouldn't have been any adjustment at all. We would just have gone on our way merrily. To me that is naive. I think any thinking person recognizes that when waste, inefficiency, incompetence, come into a situation that it has to me corrected at some point by time-honored processes.

This is an economy of loss as well as an economy of profit. Those of you who are in this area and see all these buildings that are going up around here may recall another time in New York City when a good many buildings were being built out of losses and not out of profits. I am not suggesting that any of the present buildings are going to be built out of losses in any sense of the word, but I am merely pointing out that this is an economy of penalty as well as an economy of reward. Now, if the penalty is not taken by the private business organization, then the penalty will be taken by government. It means that somebody else has to pick up the check.

I am not for a moment arguing that the Farm Program is wise or unwise, but I am merely saying that if the problem is supply and demand, a price has to be paid when you buy corn or you buy wheat. You don't solve the problem by merely putting it in the warehouse. The price may be worth it, and that is a decision that the body politic can make at any time that it wants, but the price still has to be paid, and it is in terms of those things that we have to look at this thing.

Illusion of Prosperity

Now, look at the cycle. You wonder how I can say that unemployment can come out of inflation. I have cited the five major factors that in my judgment have been with us for the last two years. How does unemployment result from that? You always pass the price of an increase on to the customer. That is obviously the case. We have an illusion of prosperity created by the fact that we have military expenditures of record size, and we probably will continue to have them, but there is no offsetting civilian goods against that and it creates an impression of prosperity that may or may not be real as time develops. We have made an amazing shift from public to private in the last five years, and done it successfully. All right. You have difficulty passing that price increase at some point on to the customer, or you misjudge the market, you miscalculate the market. The first time your volume dips, you have a price-profit squeeze and that profit gets squeezed and squeezed and squeezed and at some point when the profit squeeze is too great it leads to cut-back in production and the cut-back in production leads to unemployment.

Evils of Money Inflation

Now, that's the cycle. I don't think that you can controvert that very successfully and when people, in terms of money, are trying to spend more than they have, that is probably normal. There is nothing particularly to get excited about in that. But when they are trying to buy, and on borrowed money frequently, more goods than are actually available in the aggregate, additions to the money supply under those conditions can do nothing but put prices up.

You can see it in a simple way in terms of demand. I used the illustration of a Broadway ticket broker. I am not trying to advertise any show when I say this, but let's take this show, "My Fair Lady," that has had a terrific run here. Unless the number of seats at "My Fair Lady" are increased or another show goes on the road, if you double the amount of money that everybody has to get into that show and they have no compunction about entering the black market—I am not arguing about the theater code now—what do you do? You just put the price of the available seats up. It can't work any other way. Well, that's as simple an illustration as I know of how the demand factor under a condition of full utilization of resources achieves the result that you don't want it to achieve.

Fed As a Trustee

Now, we have in our Federal Reserve System a safeguard in the form of a regional system and the Congress, which has the power over money, has set up a trusteeship over money in the Federal Reserve System and they have written a trust indenture, the Federal Reserve Act. The Congress can change that trust indenture at any time it wants, and that is perfectly proper. The idea of the Federal Reserve Bank and the 12 banks around the country was to have a government of law in the Federal Reserve Act and a government of men, the Boards of the 12 banks and the Federal Reserve Board in Washington, to provide as much safeguard as possible against the inevitable desire to depreciate the currency when the going gets tough.

Importance of Stable Prices

Now, that is the problem that we have been wrestling with for the last two years, the problem of depreciation of the currency, and I believe that there is nothing that is of so much advantage to the little man, to the small man, as is a stable dollar and a stable price level, and that it does as much in terms of saving and thrift and investment as any single factor in our economy, and when we ignore it, or let it run loose, we are just asking for trouble and gradually leading ourselves into the primrose path where the only real way of correction will be bust, or the government picking up a check—which is partly your check—in such a way as to eliminate this law of supply and demand.

Many of you will think that I have oversimplified this. Actually I don't think so. I think that the basic problem here is one of an understanding and having faith in the economy, but a reasonable faith, and being willing to accept the guiding principles upon which we try to operate.

Fed Does Not Take Over the Market

To sum up what I honestly believe about the economy today—and I am not telling you what money policy will be, as you can gather, except to point out that money policy today is not trying to be predicated on the Federal Reserve Board making the market. The Federal Reserve Board is trying to see the market, to find out which way the wind is blowing and to lean against the wind, whichever direction it is blowing, but it is not trying to take over the market, or rather, the playing field of business. It is not competent to do that and I don't believe we have any mandate to do it. But we are trying to let the time-honored process work without fear of those who say, "Well, the economy is unable to make adjustments that we know ought to be made, but just give us a little more borrowed money. Just don't make it difficult for us right now because if we can just get by the spring, then we won't have any particular problem." My experience is that the problem will be worse in the spring, if that is your approach to it. There may be some people who will gamble and be successful, that is always true, but by and large the overall problem will be worse.

I have less faith in the power of money and credit policy than some people who criticize it and more faith in the economy than those same people when it comes to its adjusting ability so long as we are letting the law of supply and demand be the major factor.

To sum up, my conviction is that we have in front of us a road that is just as clear as any modern turnpike to a substantially higher standard of living for everyone. It lies in front of us. We have an automobile—to carry on the illustration—that is capable of driving along that path. Our only problem is that if we try to drive along this road at 100 miles an hour with one hand on the wheel, we are going to have a lot of people turn over in the ditch and we are going to have a lot of people injured who wouldn't have to be injured if we took things just a little bit more easily.

Named Director

The election of Leonard O. Fischer as a director of Official Films, Inc., distributors of television film series, has been announced by Harold L. Hackett, Chairman of the Board and President.

Mr. Fischer fills a vacancy on the board created by the resignation of Herbert Jaffe.

Mr. Fischer is a general partner in the brokerage and underwriting firm of John H. Kaplan & Co., New York City. He previously was with Merrill Lynch, Pierce, Fenner & Beane.

Cut in Reserve Requirements Urged by A.B.A. Policy Group

According to American Bankers policy group, in discussing the only two ways to meet currency and bank deposits for economic growth, "it would be far better to provide for this growth by lowering the reserve requirements of member banks over the coming years" to 10% for demand to 2% for time deposits than to create more reserves through open market operations. The ABA Commission also recommends: (1) eliminating geographic differences in reserve requirements; (2) allowing Federal Reserve to vary reserves from 8 to 12%; and (3) including vault cash in legal reserves. States that this plan would not result in any greater money and bank credit expansion than would occur under existing reserve requirements

A long range program for the reform of the system of member bank reserve requirements, looking to the gradual reduction of such reserves to lower levels than are now required, was made public, Jan. 25, by the Economic Policy Commission of the American Bankers Association.

The plan announced is the result of a two-year study by the Commission, which reports "widespread agreement that the present system is not well adapted to present-day conditions; that the existing set-up is an anachronistic carry-over from earlier banking practices and legislation; and that however warranted the present requirements may have been in former times, they are now outmoded, illogical, and inequitable."

The program of the Economic Policy Commission proposes that the reserve requirements for demand deposits in Federal Reserve member banks eventually be lowered to 10%, which it notes was the level that prevailed prior to 1936, and that this level of 10% be made uniform for all banks regardless of where located. It recommends that the reserve required for time deposits be lowered to 2%, and that banks be permitted to include vault cash in their legal reserves.

The 10% level for reserves for demand deposits would not be a rigid figure, however. The Commission concedes that the Federal Reserve would have authority to vary these reserve requirements within a 4% range, which would permit raising them to 12% or lowering them to 8%; but it believes that they should be kept at the 10% level except under unusual circumstances.

Five Year Changeover Period

The Commission recognizes that "changes as far reaching as these cannot be put into effect overnight but will have to be accomplished over a period of years." It suggests a "tentative target date of five years" for accomplishing the plan, but with the provision that the Federal Reserve Board have the authority to extend the target date one year at a time and full authority with respect to detailed execution of the plan, including the choice and timing of the various intermediate steps. It does recommend, however, that enabling legislation be enacted at an early date so that the Federal Reserve authorities will have requisite discretionary powers to work toward a logical reserve requirement set-up as economic conditions permit.

It points out that "the chief function of member bank reserve requirements is not to contribute to bank liquidity but rather to serve as a fixed part of the mechanism of monetary management."

The Commission states that "the present high requirements should be substantially reduced over the years ahead, to enable the banking system to accommodate the monetary and credit needs of our growing economy" and urges that when "reform is undertaken, we should move in the direction of a geographically uniform system of reserve percentages." It characterizes its proposals as "a single integrated program."

Five Recommendations

The Commission makes five recommendations as follows:

(1) Eventually reduce reserve requirements for demand deposits to 10%.

The current high level of reserve requirements for demand deposits is the result of historical accident. The extraordinary circumstances which originally gave rise to it have disappeared. The reserve percentages should be reduced over a period of years from the present average level of 16.5% of net demand deposits to 10% which is the approximate average level that prevailed prior to 1936. This would enable the banking system to meet the public's future monetary and credit needs that will be generated by our growing economy.

(2) Eliminate geographical differences in reserve requirements for demand deposits.

The 10% reserve requirement for net demand deposits should apply uniformly to all member banks. At present, requirements for various banks differ considerably depending on where they happen to be located. These distinctions are based on outmoded theories and are a source of inequity. As reserve requirements are reduced, we should move to a uniform system.

(3) Authorize the Federal Reserve to vary the reserve requirement for demand deposits over a range of 8 to 12%.

The Commission believes that the Federal Reserve should have authority to vary the reserve requirement percentage for demand deposits over a reasonable range in order to be able to cope with unusual developments that might conceivably arise. Opinions naturally differ as to how much latitude of this kind the Reserve Board should have; but it seems clear that the range of its existing authority, established more than 20 years ago, is considerably more extensive than is needed under present-day conditions.

The Commission therefore recommends that whereas the requirement for demand deposits should be reduced to 10% and maintained at that level except under unusual circumstances, the Federal Reserve should, nevertheless, have authority to raise this requirement to as high as 12% or to reduce it to as low as 8% of net demand deposits.

(4) Eventually reduce the reserve requirement for time deposits to 2%.

A legal reserve requirement for time deposits of member banks adds virtually nothing to the safety or liquidity of these deposits and is unjustified from the standpoint of monetary management. The present 5% requirement clearly discriminates against savings departments of member commercial banks in competing with other thrift institutions. For these reasons, the requirement

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Cut in Reserve Requirements Urged by A.B.A. Policy Group

should be substantially reduced as conditions permit. When it has been reduced to 2%, it should remain fixed at that level for all member banks.

(5) Permit the inclusion of vault cash in legal reserves.

This is long overdue. There is no reason today for not allowing banks to count their vault cash as part of their legal reserves. Wide support exists among bankers and Federal Reserve officials for a more rational treatment of this item of banks' working reserves.

Antiquated Reserve Rates

The Commission points out that the present reserve requirements are the result of the great inflow of gold after devaluation of the dollar in 1933-34. "The effectiveness of open market operations was nullified because excess reserves were so large in relation to Reserve bank holdings of government securities," it says. "Open market sales of governments by the Federal Reserve could have absorbed only a small portion of these excess reserves."

Because of this situation, it notes that Congress authorized the Federal Reserve Board in 1935 to double reserve requirements, and the Reserve Board did so within two years. This is what it calls the "historical accident."

The situation leading to the increasing of reserve requirements back in the 1930's was changed completely by World War II, the study continues.

"The banking system was called upon to absorb large quantities of government securities and to meet heavy demands for circulating currency. The surplus of excess reserves rapidly disappeared; and, in addition, the Federal Reserve pumped additional reserves into the banking system by means of purchasing government securities on a vast scale.

"While the Board has lowered requirements on several occasions, today, at 20%, 18%, and 12% for the three reserve classes, they are still far above the pre-1936 level," it declares.

Only Way to Increase Money Supply

"Looking ahead," the study notes, "it is clear that the needs of the public for currency and bank deposits will increase with the growth of the economy. To meet these needs, it will be necessary to expand the reserve base of the banking system either by creating more reserves through open market operations or by reducing reserve requirements.

The first approach, that of augmenting the reserves of member banks, would commit the Federal Reserve authorities to a large scale program of open market purchases of government securities designed to inject additional funds into the banking system. This would necessitate a further increase in the size of the Federal Reserve's portfolio, which, it is widely agreed, is already excessively large.

"To be more specific, if past relationships between production, currency and deposits are approximated in the future, then over the next five years demand deposits will increase by something like \$20 billion, time deposits by about \$12 billion, and currency in circulation by more than \$3 billion. If such an expansion were to be met without reducing reserve requirements, it would be necessary to supply the banks with about \$7 billion of additional reserve balances by means of open market purchases of government securities by the Reserve banks.

"It would be far better to provide for this growth by lowering the reserve requirements of member banks over the coming years. This would 'unlock' a portion of what are now legal reserves and would free these funds to support an expanding level of credit and deposits. Banks could also utilize these newly freed reserves to meet increasing demands for currency on the part of the public."

A reduction of required reserve percentages for demand deposits to 10% for all member banks "would enable the banking system to meet the monetary and credit needs of our growing economy, while leaving the requirements high enough to enable the Federal Reserve to do an effective credit control job, in the opinion of the Commission.

Eliminate Geographic Differences

In calling for the elimination of the geographical differences in reserve requirements for demand deposits, the Commission points out that new financial centers have developed, while older ones have declined in relative importance, and that the reserve classification of cities has lagged behind changes in the banking structure.

Commenting on the proposed reduction of reserve requirements for time deposits to 2%, the Commission states that "from a credit control standpoint, there is no more reason for having reserve requirements for commercial bank time deposits than for imposing such requirements on competing thrift institutions.

"In view of these considerations, it seems clear that the present reserve requirement for time deposits discriminates against member banks. No other thrift institutions are required to keep this kind of a reserve for this purpose. Substantial reduction or elimination of the reserve requirement against time deposits would be a step toward putting member banks on a fairer competitive basis with other financial institutions.

"Since a reserve requirement for time deposits is unwarranted from a credit control standpoint, it follows that the proposed 2% reserve ratio should be fixed by statute and not be subject to change by the Federal Reserve Board."

Put Vault Cash in Reserves

The reasons for eliminating vault cash from member legal reserves in 1917 no longer exist in the opinion of the Economic Policy Commission.

"Permitting member banks to count vault cash in their legal reserves would mean that part of these reserves would be held at the banks in the form of currency and part would be on deposit at the Federal Reserve," it states. "While there is an advantage to the Federal Reserve in having some of the required reserves of member banks maintained in the form of balances on its books, complete centralization of reserves at the Federal Reserve is unnecessary. Nor is there any likelihood that banks would convert a significant portion of their reserve balances into currency. Since there is no danger of large scale withdrawals of currency by member banks, there is no reason for limiting the amount of vault cash that banks can count as legal reserves. Bank vault cash should have full reserve credit."

The Commission emphasizes that its program would not be inflationary. "It should be borne in mind," the study says, "that the proposed changes would be accomplished by intermediate steps over a period of years, with the timing left entirely to the discretion of the Reserve authorities. Also, a large part of the reserve funds released by these changes would be needed to accommodate the needs of our growing economy. Reserve requirement reductions would be the best way of meeting these normal growth requirements.

"It should be emphasized also that it is not contemplated that all of the reserves released under the plan would be used as the basis for a multiple expansion of bank credit and deposits. If the reserves released at any time are excessive in the light of current monetary conditions, the Federal Reserve can easily absorb them by open market sales of government securities.

"In short, there is no reason for assuming that adoption of the plan would result in any greater expansion of money and bank credit than would occur if reserve requirements were to be kept at their present high levels."

Committee Members

The members of the Economic Policy Commission for 1955-56 are:

Evans Woollen, Jr., President, American Fletcher National Bank and Trust Company, Indianapolis, Chairman.

E. Sherman Adams, Deputy Manager in Charge of Economic Policy Commission, American Bankers Association.

Murray G. Lee, Secretary, Economic Policy Commission, American Bankers Association.

Daniel W. Bell, President and Chairman, American Security & Trust Company, Washington, D. C.

Sidney B. Congdon, President, The National City Bank of Cleveland.

Mervin B. France, President, Society for Savings in the City of Cleveland.

Adrian M. Massie, Chairman, The New York Trust Company.

Frederic A. Potts, President, The Philadelphia National Bank.

Herbert V. Prochnow, Vice-President, The First National Bank of Chicago.

Rudolph E. Reichert, President, Ann Arbor Bank, Ann Arbor, Michigan.

John W. Remington, President, Lincoln Rochester Trust Company.

Lester E. Shippee, Chairman, The Connecticut Bank and Trust Company, Hartford

Edward Byron Smith, Executive Vice-President, The Northern Trust Company, Chicago.

J. Harvie Wilkinson, Jr., Executive Vice - President, State-Planters Bank of Commerce and Trusts, Richmond.

Gutman Director

Commercial Solvents Corporation has elected Monroe C. Gutman as a director, it was announced by J. Albert Woods, President. Mr. Gutman is a partner in Lehman Brothers, investment bankers, and Chairman of the Executive Committee of The Lehman Corporation, investment company.

Phila. Group to Hear

PHILADELPHIA, Pa. — Julien R. Steelman, President of Koehring Co., will be guest speaker at a luncheon meeting of the Philadelphia Securities Association on Thursday, Feb. 7, at the Barclay Hotel.

Mr. Steelman will discuss the company's present operations and its future outlook. Koehring Co. is a leading manufacturer of construction machinery.

Memphis Officials Receive Check Completing Successful Sale of Electric Light Plant Bonds

The highly successful public offering on Dec. 12, 1956 of \$163,245,000 City of Memphis electric light plant revenue bonds was formally completed when Rudolf Smutny, senior partner of the investment banking firm of Salomon Bros. & Hutzler, presented to Memphis officials a final check in payment for the bonds. The check was presented on behalf of the nation-wide underwriting group of 440 members which sold the bonds to investors and was headed by Salomon Bros. & Hutzler; Smith, Barney & Co.; Blyth & Co., Inc.; Halsey, Stuart & Co., Inc.; J. C. Bradford & Co., and Equitable Securities Corporation.

Mr. Smutny (above, left) handed the check to John T. Dwyer (second from left), member of the Board of Commissioners of the City of Memphis, and Charles H. Crutchfield (second from right), Comptroller of Memphis, who later turned it over to Neander W. Wade (right), Secretary of the Memphis Board of Light, Gas and Water Division. The check ceremonies took place at the Chemical Corn Exchange Bank, New York City.

Noting that the offering was the largest of its kind ever undertaken by any city for construction of electric generating and distribution facilities, Mr. Smutny expressed gratification with the manner in which the bonds were received by the public. He said the issue was sold within four hours after it was placed on the market on Dec. 12 and that the bonds remained at a small premium for several days. Since that time, the bonds have had a slow, steady increase in price, reflecting the sound national placement of the bonds with investors of all types.

The reception of investors to the offering was the more notable in the light of prevailing tight conditions in the money market and the fact that the large life insurance companies, usually substantial buyers, were unable to purchase any of the bonds because their funds were committed elsewhere, Mr. Smutny stated. The interest of investors, he continued, reflected the excellent credit position of the City of Memphis and the efforts of the underwriting group, members of which were located in every section of the country.

Memphis will use proceeds from the sale of bonds to construct a generating station to provide power to replace the power the city now purchases from the Tennessee Valley Authority under a contract expiring on June 1, 1958. The new plant will be the tenth largest steam power plant in the United States. It will produce one-half as much power as the Hoover Dam and is scheduled for completion in 1958.

The plant will be the first step in the "Memphis Plan" which, because of the expected growth in the demand for power in the area, contemplates construction of additional generating units of approximately the same capacity as those of the plant now being constructed. An additional unit is scheduled for completion in each of the years 1961, 1963 and 1965.

Federal Land Banks Offer 3⅞-4⅛% Bonds

The 12 Federal Land Banks are offering publicly today \$140,000,000 of 3⅞% bonds due Feb. 14, 1958, and \$72,000,000 of 4⅛% bonds due Feb. 15, 1972. The 3⅞s of 1958 are being offered at 99.95% and the 4⅛s of 1972 at 100%.

These new consolidated Federal farm loan bonds will be dated Feb. 15, 1957. The 4⅛% bonds are callable at par on or after Feb. 15, 1967.

The offering is being made through the bank's fiscal agent, John T. Knox, 130 William Street, New York City, with the assistance of a nation-wide dealer and banker group. Net proceeds will be used to redeem \$130 million of 3% bonds maturing Feb. 15, 1957, to repay borrowings from commercial banks and for lending operations.

The Federal Lank Banks make long-term loans to farmers through 1,100 national farm loan associations on the security of first mortgages. The local associations are owned entirely by farmers. The associations in turn own all of the stock of the Federal Land Banks. Farmers have about \$102,000,000 invested in the banks. The banks have accumulated reserves and surplus of \$266,000,000.

Copley Adds to Staff

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.— Harold J. Anderson has been added to the staff of Copley & Co., Burns Building.

Joins Continental Inv.

(Special to The Financial Chronicle)

DENVER, Colo.—Samuel Greenberg has become affiliated with Continental Investments Inc., C. A. Johnson Building.

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News About Banks and Bankers

place at the annual meeting of the shareholders of the bank.

The shareholders also agreed to an increase in the common stock of the bank from $4,000,000 to $4,250,000 by the issuance of a stock dividend of $250,000 or one new share for each 16 held.

* * *

A merger certificate was issued on Jan. 11 approving and making effective as of the close of business Jan. 11, 1957, the merger of **The Citizens National Bank and Trust Company of Caldwell, Caldwell, N. J.** with common stock of $250,000, into **The National State Bank of Newark, Newark, N. J.** with common stock of $5,212,500. The merger was effected under the charter and title of "The National State Bank of Newark."

At the effective date of merger, the receiving association will have capital stock of $5,462,500, divided into 437,000 shares of common stock of the par value of $12.50 each; surplus of $15,000,000; and undivided profits, including capital reserves, of not less than $1,632,708.

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The National Union Bank of Dover, N. J. increased its common capital stock from $500,000 to $625,000 by a stock dividend, effective Jan. 18 (31,250 shares, par value $20).

* * *

The common capital stock of **The Prospect National Bank of Trenton, N. J.** was increased from $260,000 to $280,000 by a stock dividend effective Jan. 18 (14,000 shares, par value $20).

* * *

Ned Feldman was promoted by the **Bergen Trust Company, Jersey City, N. J.** from Executive Vice-President to President.

W. G. Semisch, President of the **Second National Bank of Philadelphia,** announces the appointments of Helen Raczka and John J. Dugan as Assistant Cashiers.

* * *

M. A. Cancelliere, President of the **Western Pennsylvania National Bank, McKeesport, Pa.** announced that at the bank's annual meeting, two new directors were elected. They are Thomas M. Watt, a Senior Vice-President, and Louis J. Reizenstein, Executive Vice-President.

Mr. Cancelliere also disclosed plans to consolidate the bank's operations in Sharpsburg where two separate bank buildings now are maintained.

* * *

Gallatin National Bank, Uniontown, Uniontown, Pa., was authorized on Jan. 11 to increase its common capital stock from $750,000 to $825,000 by a stock dividend effective Jan. 14, 1957 (82,500 shares, par value $10).

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On Jan. 15, 1957 the corporate title of **Fidelity-Baltimore National Bank & Trust Company** was changed to **Fidelity-Baltimore National Bank, Baltimore, Md.**

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The **Fidelity-Baltimore National Bank, Baltimore, Md.** increased its common capital stock from $3,300,000 to $3,600,000 by a stock dividend effective Jan. 15 (360,000 shares, par value $10).

* * *

At their 67th annual meeting on Jan. 27, 825 shareholders of **Central National Bank of Cleveland** approved a new issue of 125,000 shares of common stock which is being offered at $35 per share.

The shareholders were greeted by Chairman John C. McHannan, in his 65th year with the bank, who opened the meeting. President Loring L. Gelbach presided at the business meeting during which all 25 directors were re-elected.

The stock has been offered to shareholders in the ratio of one new share for each seven shares held of record on Jan. 16, 1957. Shareholders have until 3 p.m. Wednesday, Feb. 13, 1957 to exercise their rights to subscribe to the new shares.

The sale of 125,000 additional shares at par value of $16 will increase the bank's capital stock by $2,000,000. Additional proceeds from sale of stock, together with transfers from undivided profits, will be applied to increase surplus by $3,000,000. This will raise Central National's combined capital stock and surplus from $30,000,000 to $35,000,000.

* * *

Coshocton National Bank, Coshocton, Ohio, was authorized to increase its common capital stock from $100,000 to $300,000 by a stock dividend effective Jan. 16 (30,000 shares, par value $10).

* * *

Mutual Trust and Deposit Co., New Albany, Ind. established a branch on Jan. 16 at 2736 Charlestown Road, to be known as Lone Star Branch.

* * *

The Comptroller of the Currency authorized **The Illinois National Bank of Springfield, Ill.** to increase its common capital stock from $750,000 to $900,000 by a stock dividend effective Jan. 16 (90,000 shares, par value $10).

* * *

The First National Bank of Stockton, Ill. increased its common capital stock from $50,000 to $75,000 by a stock dividend effective Jan. 17 (750 shares, par value $100).

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Old Kent Bank, Grand Rapids, Mich. and **Michigan Trust Company, Grand Rapids, Mich.** consolidated under charter of Old Kent Bank and new title **Old Kent Bank and Michigan Trust Company.** A branch was established in the former location of Michigan Trust Company.

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Lenawee County Savings Bank, Adrian, Mich. and **First State Savings Bank, Morenci, Mich.** consolidated on Dec. 31 under charter of Lenawee County Savings Bank and new title **Bank of Lenawee County.** A branch was established in the former location of the Morenci bank.

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The Marine National Exchange Bank of Milwaukee, Wis., effective Jan. 14, increased its common capital stock, by a stock dividend, from $2,200,000 to $4,400,000 (220,000 shares, par value $20).

* * *

The Comptroller of the Currency authorized **The Exchange National Bank of Jefferson City, Mo.** to increase its common stock from $300,000 to $600,000 by a stock dividend effective Jan. 14 (6,000 shares, par value $100).

* * *

American Trust Company, Charlotte, N. C. established a branch on Woodlawn Road in the Park Road Shopping Center, Mecklenburg County, N. C. to be known as Park Road Branch.

* * *

Wiley R. Reynolds, Jr. was re-elected President of the **First National Bank in Palm Beach, Fla.** at the directors' meeting on Jan. 24, following the annual stockholders' meeting.

James Dunn Sturrock was elected a new director of the bank.

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The common capital stock of **The First National Bank of Birmingham, Ala.** was increased from $9,000,000 to $10,000,000 by a stock dividend effective Jan. 15 (1,000,000 shares, par value $10).

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The American National Bank of Gadsden, Ala. increased its common capital stock from $300,000 to $360,000 by a stock dividend effective Jan. 15 (28,800 shares, par value $12.50).

* * *

The Calcasieu-Marine National Bank of Lake Charles, La., effective Jan. 18, increased its common capital stock by a stock dividend from $2,000,000 to $2,500,000 (25,000 shares, par value $100).

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Effective Jan. 16, the **Temple National Bank, Temple, Texas** increased its common capital stock from $300,000 to $500,000 by a stock dividend (5,000 shares, par value $100).

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Effective Jan. 16, the **First National Bank in Billings, Montana** increased its common capital stock from $325,000 to $400,000 by a stock dividend (16,000 shares, par value $25).

* * *

Francis Boyce Fenton, head of the Trust Department of the Portland office of **The Bank of California, San Francisco, Calif.** died of a heart attack on Jan. 16. He was 64 years old.

He joined The Bank of California in 1942 after serving 23 years in the investment security business in the Portland area. In 1945 he was appointed Assistant Trust Officer and was elevated to Trust Officer in 1949.

He began his banking career as a clerk at the **First National Bank of McMinnville.**

* * *

F. W. William Nicks, General Manager of the **Bank of Nova Scotia, Halifax, Nova Scotia,** was elected a director.

* * *

Peoples National Bank of Washington in Seattle, Wash. was authorized on Jan. 16 to open a branch at 1436 South 312th Street, Federal Way, King County, Wash.

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Alva E. Steadman, President of **Cooke Trust Co.,** was appointed Vice-Chairman of the **Bank of Hawaii, Honolulu, Hawaii.**

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Supplementing an item appearing in our issue of Dec. 13, page 2514, we give the following further advices received from the **Chartered Bank of India, Australia and China:**

An extraordinary general meeting of **The Chartered Bank of India, Australia & China** was held on 5th Dec., 1956 at the Head Office, 38, Bishopsgate, London, E. C. 2., for the purpose of considering a special resolution, shortening the name of the bank to **The Chartered Bank.** V. A. Grantham, the Chairman of the bank, presided. After H. F. Morford, the Chief General Manager, had read the notice convening the meeting, the Chairman proposed that "Pursuant to Clause 3 of the Royal Charter dated 25th June 1956 this meeting hereby resolves that the name of the bank be changed to **'The Chartered Bank'** and that such change do take effect so soon as The Lords Commissioners of her Majesty's Treasury shall have signified their formal assent thereto." The resolution was seconded by Sir John Tait, Deputy Chairman of the bank, and carried.

Subsequent to the meeting application was made to The Lords Commissioners of Her Majesty's Treasury for their formal assent to the passing of the special resolution and upon this being granted the name of **The Chartered Bank of India, Australia & China** was changed to **The Chartered Bank,** with effect from the bank's opening for business on Thursday, 6th Dec., 1956.

Woman Bank President Celebrates Anniversary

Mary G. Roebling on Jan. 25 celebrated her 20th year as President and Chairman of the Board of the Trenton Trust Company, New Jersey. Mrs. Roebling was the first American woman to become President of a major bank (the Trenton Trust Company is among the nation's first 300 large banks), a distinction which is still her's. However, on the occasion of her 20th Anniversary, the woman-banker stressed the significant progress women have made in banking since the day she entered the field. She pointed out that, according to the most recent statistics, there are more than 10,000 women bank officers today, a figure which includes 41 Presidents, 20 Chairmen of the board and nine women who serve as both President and Chairman of the board. Mrs. Roebling is shown above being congratulated by Alan W. Bowers, Senior Vice-President of the Trenton Trust Company.

First Boston Group Offers American Brake Shoe S. F. Debentures

The First Boston Corp. and associates on Jan. 29 offered publicly $12,000,000 of American Brake Shoe Co. 4½% sinking fund debentures, due Feb. 1, 1982, at a price of 100% and accrued interest.

Proceeds from the sale of the debentures will be applied to the company's capital program which is now estimated to require approximately $17,000,000 during 1957 and between $12,000,000 and $15,000,000 in 1958. Present plans anticipate expension of manganese steel foundries, increased manufacturing facilities for several hydraulic products and possibly the construction of a second plant for the manufacture of cast steel freight car wheels. The program also includes a new plant for high quality aluminum castings for the aircraft industry.

In addition to the $12,000,000 obtained from the sale of the debentures, depreciation accruals will generate approximately $14,000,000 during the years 1957 and 1958. The balance of the funds which may be needed for capital expenditures and working capital are expected to be obtained from retained earnings.

The debentures are redeemable at regular redemption prices ranging from 106% if redeemed prior to Feb. 1, 1958 to 100% for those redeemed on or after Feb. 1, 1981, provided, however, that they cannot be refunded prior to Feb. 1, 1967 at an interest cost to the company of less than 4½%. The debentures are redeemable at 100% for purposes of the sinking fund which is calculated to retire approximately 96% of the issue prior to maturity.

American Brake Shoe Co. is a leading supplier of wearing parts for the railroads, although in recent years the company has turned its attention to the development of new products for other markets having greater potential for growth. For the 10 months ended Oct. 31, 1956, sales to railroads accounted for 40% of the company's total output against 60% to others.

Herbert Hauser 60 Years With Sutro

"Sixty years with one firm is a long time," said Herbert Hauser, who on Jan. 25, 1957, celebrated his 60th anniversary with Sutro & Co. "But every year of it has been an exciting and satisfying adventure in living," he continued.

Herbert Hauser

Herbert Hauser, who says he is 77, but looks 57, started to work for Sutro & Co. Jan. 25, 1897. He had just graduated from Polytechnic High School, and as he says "with all aplomb only a 17 year old can have, he tackled the investment business." Charles Sutro, one of the founders of the firm, with an eye and heart to helping beginners put young Hauser to work as an office boy at the fine salary of $25 a month. This was ample to pay his way, Mr. Hauser said, save a little and dress like a dude.

He went to work at seven in the morning and was through at four. He put his remaining daylight time to profitable use. He went to work for a newspaper. His high school interest in amateur athletics paid off. He was given a job as a sports writer on the morning "Call." When the paper ceased being a morning publication in 1912, the broker-sports writer went to work for the Oakland "Tribune" because, as he says, "We lived over there."

When Mr. Hauser joined Sutro & Co. the firm, which now numbers its employees in the hundreds, with offices in San Francisco, New York, San Jose, Los Angeles, Beverly Hills and Hayward and correspondent offices in Honolulu and Manila, had one office and five employees. Mr. Hauser made the sixth. Of the five he recalls, of course, Charles Sutro, head of the firm, Samuel Schwartz, a partner, Herman Adler, bookkeeper and George Lowenberg, Cashier. The name of the fifth escaped him. He did remember, however, she was a young woman, "who took care of letters, files and odd office duties and left her good job to get married."

Memorable events having varying effects on the business world during his lengthy career include the Spanish American War of 1897, the titanic struggle for control of the Northern Pacific Railroad in 1901 by James J. Hill and E. H. Harriman with Hill the winner. He recalled the stock went to over $1,000 per share. "There was no SEC then to protect the stockholders," he said.

Nineteen hundred and six was a memorable year for Sutro & Co. Theirs was the only building in the area not destroyed by the San Francisco earthquake and fire, so all of their records were preserved. It was the year of the present senior partner Sidney L. Schwartz joined the firm as Charles Sutro's senior clerk on the floor of the Stock & Bond Exchange. The Exchange which later became the San Francisco Stock Exchange and is now the San Francisco Division of the Pacific Coast Stock Exchange.

J. P. Emanuel Opens

JERSEY CITY, N. J. — J. P. Emanuel & Co., Inc. has been formed with offices at 1 Exchange Place to engage in a securities business. Officers are Joseph P. Emanuel, President; and Herman Lubing, Secretary-Treasurer. Both were formerly with A. J. Grayson & Co.

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The State of Trade and Industry

Motor Co. and certain Chrysler Corp. divisions, while General Motors Corp. headed toward an entire January total of 307,000 units, or 94% of its record January volume of 327,495 reached in 1955.

Auto industry operations in January, the statistical agency disclosed, showed good strength both as to factory output and dealer sales, with the latter expected to crowd 500,000 units for the entire month.

On that basis, retail new car sales for January would parallel or slightly exceed both the previous month and January of 1956 when 484,300 new cars were purchased in the domestic market.

Meanwhile, truck operations last week remained steady, a decline at International Harvester being offset by rising new model output at Ford. Harvester, "Ward's" stated is beginning a lengthy shutdown of manufacturing at its volume Springfield plant due to major equipment rearrangement.

Steel Production Expected to Rise This Week to 97.1% Of Capacity

Steel mills are putting themselves in a position to give customers quick delivery, "Steel" magazine, the metalworking weekly, reported on Monday of this week.

It said that mills are building inventories of semi-finished materials such as billets at bar mills and slabs at sheet mills. This enables them to roll finished products like bars and sheets without first having to make steel in the furnace and then teem it into ingots.

With the easing in steel supply, more and more customers are climbing into the driver's seat, a spot they have longed for. Auto makers particularly are insisting that steel must arrive on specified dates. The ease in supply comes not so much from cancellations or deferments of orders as from a reduced rate of ordering.

Consumers feel they can do without large steel inventories because the largest steel user, the auto industry, is going along at only moderate speed and the three-year labor contract in the steel industry promises a respite from a strike this year.

This trade journal reported that while this is billed as the "quiet year" in labor negotiations, wage gains of employees in the metalworking industry this year may average eight cents per hours, one of the highest boosts in five years.

Automatic pay boosts provided for in multi-year contracts will account for much of the increase. Steelworkers get an average raise of 9.3 cents an hour on July 1, plus cost-of-living adjustments. Auto workers and farm equipment employees get a 2.5% increase, plus escalation, as a result of contracts negotiated in 1955.

The publication said to look for seven to eight cents an hour as the wage settlement for the small- and medium-sized company which must negotiate this year. Bigger firms will grant more, to put the weighted average increase between eight and nine cents an hour. Figure that in with the automatic hikes and the weighted average is about eight cents. Look for two- and three-year settlements to be common in 1957.

Most of the major contracts of interest to metalworking that expire this year, almost all in February and March, it adds, involve the aircraft and rubber industries. The best January on record for industrial production is in prospect, according to the magazine.

Steel extra prices continue to edge upward although the magazine's composite on base prices remained at $137.98 a net ton. The price of steel scrap continues downward. In the week ended Jan. 23, "Steel's" price composite on steelmaking scrap was $59.17 a gross ton, a decline of 66 cents.

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 97.1% of capacity for the week beginning Jan. 28, 1957, equivalent to 2,485,000 tons of ingot and steel for castings as compared with 96.6% of capacity, and 2,472,000 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 97.3% and production 2,490,000 tons. A year ago the actual weekly production was placed at 2,444,000 tons or 99.3%. 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 Receded the Past Week from New All-Time High Record Recorded in Preceding Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 26, 1957, was estimated at 12,410,000,000 kwh., according to the Edison Electric Institute. This was a decline from the previous week when a new all-time high record of 12,556,000,000 kwh. was established.

The past week's output dropped 146,000,000 kwh. below that of the previous week; it increased 898,000,000 kwh. or 7.8% above the comparable 1956 week and 2,407,000,000 kwh. over the week ended Jan. 29, 1955.

Car Loadings Declined in Week Ended Jan. 19 3.5% Below the Preceding Week

Loadings of revenue freight for the week ended Jan. 19, 1957, fell 23,497 cars or 3.5% under the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 19, 1957, totaled 657,269 cars, a decrease of 42,017 cars or 6% below the corresponding 1956 week but an increase of 26,918 cars, or 4.3% above the corresponding week in 1955.

Business Failures Ease Moderately in Latest Week

Commercial and industrial failures declined to 258 in the week ended Jan. 24 from 278 in the preceding week, according to Dun & Bradstreet, Inc. Although the toll fell below the 284 a year ago, it remained slightly above the 255 in the comparable week of 1955. Continuing below the prewar level, failures were noticeably below the 385 in 1939.

Failures involving liabilities of $5,000 or more dipped to 221 from 243 last week and were less numerous than the year ago level of 237. Although small casualties with liabilities under $5,000, edged up to 37 from 35 in the previous week, they fell below the toll of 47 in the similar week of 1956. Twenty-four of the week's failures had liabilities in excess of $100,000 as against 31 in the preceding week.

Wholesale Food Price Index Continued Mild Uptrend The Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced slightly for the second successive week to stand at $6.14 on Jan. 22, as against $6.13 a week earlier. Compared with $5.89 a year ago, the current level shows a gain of 4.2%.

Commodities quoted higher last week included flour, barley, bellies, lard, rice, hogs and lambs. Lower in price were corn, rye, oats, sugar, cottonseed oil, cocoa and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Showed a Mixed Trend in Latest Week

Commodity trends were mixed last week. Following an early upward movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned lower to close at 299.09 on Jan. 22. This compared with 300.30 a week previous and with 279.45 on the like date last year.

Grains were irregular. Wheat prices were generally firm with a good export demand and adverse weather conditions the principal strengthening factors.

There was some easiness in old crop wheat futures at times as larger redemptions of wheat from the government loan were offered on the free market. Cash corn was in fairly good demand with prices steady to firm as producer marketings continued small and cold weather stepped up feed requirements. Oats prices held in a narrow range. Country sales of oats were moderate and farm consumption was reported heavy as a result of the cold wave. Stocks of "free" oats in the Chicago market as of Jan. 12 were reported at 2,200,000 bushels, as against 2,400,000 the previous week. Purchases of grain and soybean futures on the Chicago Board of Trade last week totaled about 40,500,000 bushels per day against 39,500,000 the previous week and 33,500,000 a year ago.

Coffee prices were irregular but finished on a firm note as the result of roaster demand for new stocks of green coffee.

The spot cocoa market developed a somewhat strong tone at the close, reflecting improvement in manufacturer demand. Warehouse stocks of cocoa rose slightly to 299,012 bags, from 296,671 a week earlier and compared with 292,749 bags a year ago. Lard displayed considerable strength last week but declined late in the period in sympathy with oils. Reflecting aggressive demand from local packers and eastern order buyers, hog prices continued to advance and reached the highest levels for the past 18 months.

Although holding in narrow limits, domestic spot cotton prices continued to move upward the past week.

Constructive factors included improved actual and potential business in cloths, larger-than-expected loan entries and predictions that the soil bank may take 3,000,000 to 4,000,000 cotton acres out of cultivation this year.

Net loan entries in the week ended Jan. 11 were 210,800 bales, bringing total entries for the season to date to 4,132,000 bales. The Census Bureau reported that United States mills consumed cotton at the rate of 31,600 bales a day during the December period. This compared with 35,300 bales a day in November and 34,100 bales a day in December, 1955.

Trade Volume Eased Slightly the Past Week But Was Fractionally Above the Like Period of 1956

Although consumer buying slackened last week, total retail trade was fractionally above that of the similar week last year. Sales of Winter apparel and furniture exceeded those of the previous week, but interest in major appliances, televison sets and food products declined somewhat.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% 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 —5 to —1; Middle Atlantic —4 to 0; East North Central —2 to +2; West North Central —1 to +3; South Atlantic and Mountain +2 to +6; East South Central and West South Central +1 to +5% and Pacific Coast +3 to +7%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 19, 1957, increased 2% from the like period last year. In the preceding week, Jan. 12, 1957, an increase of 3% was reported. For the four weeks ended Jan. 19, 1957, an increase of 7% was recorded. For the period Jan. 1, 1956 to Dec. 29, 1956, a gain of 4% was registered above that of 1955.

Retail trade in New York City the past week showed an increase in sales volume of 3 to 5%, according to estimates of store executives.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 19, 1957, showed a decrease of 2% below the like period of last year In the preceding week Jan. 12, 1957, an increase of 9% (revised) was reported. For the four weeks ending Jan. 19, 1957, an increase of 8% 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.

Securities Salesman's Corner

By JOHN DUTTON

"It's a Privilege"

Last week I had a visit from an old friend I have known for over 20 years. We both have spent the most of our lives selling securities. Today this man is the successful head of his own investment firm in a large metropolitan city where he has lived and worked for over a quarter of a century. He has many clients who have been with him through ups and downs of the markets, and like many other men in the securities business, he has seen some very good days and some that were pretty lean. But today he has a substantial and sound business, and he can afford to take a winter vacation and enjoy some of the relaxations that come with a degree of financial security that he did not always enjoy.

I said to him, "After all these years in the securities business, if you had it to to do over again would you choose the same vocation?" I'll quote as best I can his reply. "I haven't the least doubt about it. Years ago when I started out I took my first job as a security salesman. I had the same start in business as many other young men during those days; very little capital, very large ambition and some health and the recognition of the necessity for going to work. When I began to sell securities I think my bank balance was about $85 and you can well understand that it was not a very substantial backlog even before we had today's depreciated dollars."

Then he went on to tell me that he appreciated the opportunity which he had enjoyed of being able to sell securities all these years. Here was a man who had this humble beginning, and who could now look back on an honorable career covering many years of business relationships with his clients and say: "After all it is a great privilege that we are permitted to sell securities. Just think what a fellow like myself might have done in another business. I didn't have particular training for anything, I just had an average education. I could have been like millions of other men who got into humdrum jobs and never had the opportunity to learn a business that would provide them with the contacts and the financial opportunities which I enjoyed. People come to us with their savings. This represents one of the most important facets of their lives. They entrust the difference between a comfortable security, peace of mind, and the worries of insecurity to us, and we are permitted to advise them as to how they should invest this money. I have been a very fortunate man —I have been granted a very valuable opportunity and I am most grateful."

* * *

Here in essence, I believe, is the basis for the success of almost every man who has constructed a sound clientele of investors in securities. This simple statement of a fundamental fact by my friend of many years is the reason hy today he is able to look back on a career that has been devoted to service to his clients with satisfaction and with a certain degree of pride. Yet, he is grateful for his opportunity. He knows that it is a serious matter with most people—this business of investing money. He was poor once himself. He worked hard and he learned as he earned. It is a sound formula for success.

There are many men in the investment business who have assisted their clients over the years to obtain the security and the income that has been necessary to maintain their standard of living. Security prices may fluctuate and the emotional factors which enter into the lives of all of us engaged in investment, whether we are the buyers or the sellers of securities, will come and go, but if we try to do our best, day in and day out, to advise our clients and those who favor us with their confidence, so that they will have the soundest and most suitable securities for their needs, then I believe that we are doing our best to live up to the responsibilities that go along with this privilege of "selling securities."

Elected to Board Of Hospital

DENVER, Colo.—Prominent figures in business and finance have been elected to office at National Jewish Hospital at Denver at the institution's annual meeting on Jan. 23.

Thomas W. Kempner of New York, a partner in the investment firm of Carl M. Loeb Rhoades & Company, was elected to the Board of Trustees.

Paul Felix Warburg, financier and philanthropist, was re-elected a Vice-President.

Andrew Goodman of New York, President of Bergdorf-Goodman, was elected Assistant Treasurer.

National Jewish Hospital is a well-known, free, non-sectarian medical center for tuberculosis and chest diseases which has given its patients nearly four million days of care without charge since its opening in 1899.

Others elected to the Board of Trustees were: Adam M. Gimbel of New York, President, Saks Fifth Avenue; Thomas W. MacLeod of New York, President, Stern Brothers; Max Robb of Philadelphia, President, Lit Brothers; and Edward Prince of Milwaukee, Manager, Gimbel Brothers of that city.

John Block of New York, of Kirby Block & Company, was re-elected Treasurer for the 16th consecutive year.

Isadore Samuels of Denver, President of the Board of Education in that city, and leading insurance man, was elected President of the Hospital.

L. L. Bost Opens

BALTIMORE, Md.—Luther L. Bost is engaging in a securities business from offices at 612 Richwood Avenue. He was formerly with Mitchell Securities.

With United Secs.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — Mrs. Page Gregor has joined the staff of United Securities Company, Southeastern Building.

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What's Ahead for the Fire and Casualty Insurance Stocks?

agency plants have been able to shave their rates, provide package policies and compete effectively for good business, but the smaller solely fire or solely casualty companies have found it more difficult to compete.

(3) In the matters of administrative and managerial personnel and in financing expensive electronic tabulating and record-keeping equipment, the smaller companies have been operating at a growing disadvantage.

(4) Inflationary pressures have continued to cause losses to mount in many lines more rapidly than rate increases can be obtained. There is always a lag between the need for rate increases and the obtaining of higher rates. An additional lag exists between obtaining them and having the increases fully reflected in earnings.

This is only a brief outline of the ills of the industry. The next question is—what are the solutions? After that it might be asked whether the solutions will be adopted and, if so, when.

Offers Solutions

There appear to be several solutions to the problems facing the fire and casualty insurance companies. Some of them will come into operation almost automatically as events force their adoption. Others may be slower in being put into operation.

The first solution is to obtain increases in rates in lines where needed. While this is always a seemingly slow process from the date of application to the reflection of increases in earned premiums, there are reasons for believing that increases in rates, especially in the automobile casualty lines will be forthcoming fairly promptly this year. In seven states, increased rates on these lines were obtained this month, running as high as 38%, and permission to charge higher rates on this business is expected to be forthcoming soon in several other states. Because pure fire insurance business was so profitable in the years prior to 1956, rate increases on this business may be slower. However, increased reflection of the sharp rises in extended coverage rates made in 1954-1956 are expected to contribute to improvement in underwriting results from this business in 1957 and 1958.

Unwise Competitive Practices

A second solution is to eliminate unwise competitive practices such as paying large commissions to agents in order to induce them to transfer business from one company to another. This solution is being forced upon the companies by necessity. Tighter underwriting practices and programs of weeding out poor business are also developing as an outcome of the unprofitable underwriting results of many companies.

An attack on the expense factor also is being made through the adoption of special policies such as six-months automatically renewable policies with less paper work for the agents and, therefore, a reduced commission rate. Another type of special policy is the so-called "package policy" combining several householder coverages in one blanket policy. Because of the economies of handling, this policy can be sold competitively at a rate 20% less than the cost of the coverages computed separately. A further advantage of this policy is that it meets the situation of one-line sniping by competitors who are not equipped to sell the package coverage.

Strength From Mergers

Mergers of fire insurance companies with casualty companies or vice versa provide a further solution for some of the major problems of the industry. Last year the joining of forces of American Automobile Insurance Co. and American Insurance Company and of Continental Casualty Co. and National Fire Insurance Co. of Hartford produced two examples of developments along this line which are expected to be repeated many times in the future. Such combinations aid in the development of size, financial strength, and multiple line coverage for the continuing company. Executive management and general personnel problems also are eased by the pooling of interests which combinations such as these produce.

It is not intended to suggest that the foregoing solutions constitute an over-all final answer to the many problems of the fire and casualty insurance business. They do provide a partial answer and they are being placed in operation in several instances. Much more remains to be done, especially along such lines as getting trend factors into rates on a wider scale and in convincing agents of the advantages of a smaller rate of commission on a larger volume of business versus the disadvantages of a high commission rate on a dwindling volume of business. However, the very fact that the companies are aware of their problems and are at least moving in the direction of seeking solutions, is believed to be constructive.

With respect to the stocks of fire and casualty insurance companies, it may be well to confine ourselves for the present purpose to the stocks of the 12 companies whose equities qualify as legal investments for savings banks in Massachusetts. These 12 companies represent for the most part, the most consistently profitable stock fire and casualty insurance companies.

Annual Income And Appreciation

A study of the performance of the stocks of these companies since they first became legal for Massachusetts savings banks in June, 1953, shows that if purchased at that time they would have performed well for the investor. In spite of the decline in insurance stocks generally last year, the appreciation from June 30, 1953 to Dec. 31, 1956 has been approximately 31%. All but one of the companies is paying more in total dividends per share (based on 1953 shares), and the other company is expected to announce a dividend increase soon. The yield at the time of the purchase was 3.51% but present income now produces a yield of 4.56% on the original purchase price. Combining this with the average annual appreciation of 8.93%, would produce a total average annual income and appreciation of 13½%.

Assumes Good Outlook

In view of the fact that at the present time, fire and casualty insurance company stocks are depressed and the business appears to be at a low point in its cycle, the possibilities for improvement are believed to be good. Higher rates on casualty and fire lines will be granted as needed, if past experience can be depended upon as a guide to the future. As underwriting results improve, the probabilities are that dividend increases will be forthcoming. Several companies have delayed action on possible dividend increases until such time as underwriting operations are profitable even though the margin of net investment income over present dividend payments has become quite wide.

There is every reason to believe that the fire and casualty insurance business continues to play a vital part in the nation's economy. As the population and wealth of the country grows, the need for protection will expand at as fast or even at a more rapid rate. The American agency system has proven its worth over the years and can be depended upon to adapt itself to present and future conditions so that it will continue to perform a major part in the insurance industry. The Massachusetts legal list includes some, although not all of the best fire and casualty insurance companies. These companies with their excellent managements, broad diversification geographically and by lines, and fine agency plants, should continue to earn better than average profit margins on their underwriting operations. The reinvesment of these earnings plus a large part of net investment income may be expected to result in a continued compounding of values. This is the basis for appreciation in the stocks of the most successful fire and casualty insurance companies.

Fire and Casualty Stocks Legal for Savings Bank Investment in Massachusetts

	Price June 30, 1953	Number of Shares Now Owned	Price Dec. 31, 1956	Total Value	Apprecia-tion	Div. at June 30, 1953	Yield at Time of Purchase	Present Div.	Present Total Income	Present Yield on Cost	Average Annual Apprec.	Present Yield Plus Apprec.
The Continental Insurance Co.	71½	2	45⅝	91¼	27.7	3.00	4.20%	2.00	4.00	5.61%	7.93%	13.54%
Federal Insurance Co.	96	4	32½	130	35.5	2.40	2.50	0.90	3.60	3.75	10.18	13.93
Fidelity-Phenix Fire Insurance Co.	71½	2	48	96	34.3	3.00	4.20	2.00	4.00	5.61	9.80	15.41
Fireman's Fund Insurance Co.	53¾	1⅕	50¼	60.3	12.2	1.60	2.98	1.80	2.16	4.02	3.48	7.50
Glens Falls Insurance Co.	57½	2	33¼	66½	15.7	2.00	3.48	1.00	2.00	3.48	4.49	7.97
Hartford Fire Insurance Co.	150½	1.5625	134	209⅜	39.1	3.00	2.00	3.00	4.69	3.11	11.18	14.29
Insurance Co. of North America	81¾	1.44	94½	136.1	66.3	2.50	3.05	2.50	3.60	4.42	18.90	23.32
Merchants Fire Assurance Corp. of N. Y.	38¾	1	48	48	23.8	1.60	4.13	1.90	1.90	5.03	6.80	11.83
Northern Insurance Co. of N. Y.	53¾	1.21	60	72.6	35.0	2.50	4.65	2.80	3.39	6.32	10.00	16.32
Northwestern National Insurance Co.	56	1	68	68	21.5	2.00	3.57	2.25	2.25	4.02	6.15	10.17
St. Paul Fire & Marine Insurance Co.	29¼	1	44½	44½	52.0	0.85	2.91	1.20	1.20	4.04	14.85	18.89
Westchester Fire Insurance Co.	22¾	1	25½	25½	12.1	1.00	4.39	1.20	1.20	5.28	3.46	8.74
Average					31.3%		3.51%			4.56%	8.93%	13.49%

Continued from page 11

Who Will Buy Government Bonds?

rectly, and the Federal Home Loan Banks, which do the same thing indirectly, by providing their members with funds wherewith to buy mortgages—these are a few examples. In 1948 the magazine "Banking" added up a list of no fewer than 44 Federal Government agencies having some sort of lending, insuring, or other credit powers.

Still other agencies have been suggested. A few days ago the Governor of Florida suggested a special Federal agency to buy State and local government bonds at "reasonable" rates of interest. High money costs, he said, are delaying millions of dollars worth of badly needed public improvements. A year or so back a Governor of the Federal Reserve Board predicted that before long a special Federal institution would be set up to facilitate consumer instalment credit.

But such agencies as these neither provide additional investment money, nor cut down the total demand for funds. They either get their money from the Treasury, thus increasing the amounts it must borrow, or they sell their own securities in the market in competition with other offerings.

Doubts Budget Cut

(4) The Federal Government might cutback its spending below income, and thus become a saver. By retiring some of its debt it would both reduce the demand for capital and provide private persons and institutions with more money for other investment.

I am more than a little bit pessimistic about the probability of this happening, on any consistently reliable basis. It was done during most of the decade of the 20's, but ideas of government were different then.

(5) A busines depression could come along, and dry up the private demand for funds. Then government bonds would be in demand, and there would be no problem of disposal. Just now, however, I am not able to put any date on the beginning of this depression. I am going on the assumption that business is going to continue very good for quite a while.

(6) The Federal Reserve System could change to any easy money policy. It could provide commercial banks with quantities of excess reserves, so that they could buy all the government securities other institutions and persons might wish to sell. But I don't believe this is an immediately practical answer either.

Attracting Inactive Savers

(7) Finally, we might tap the "miscellaneous" investors more heavily. We might induce more holders of idle cash to buy securities. In spite of the increased velocity in the use of existing money during recent years, there must be still a vast quantity of currency and demand deposits not being held for transactions purposes, but merely as a store of value.

And we might induce still more saving out of income. Higher interest rates, tax reduction, and the restoration of some degree of Federal tax exemption are possible ways both to increase savings and to draw inactive balances into useful employment.

The example of the effect rising interest rates had on the policies of non-financial corporations is well worth noting. I remarked earlier that government securities held by them got down to a postwar low of $13.6 billion in June, 1948, but started rising steeply after that. The change of trend coincided with the beginning of the rise in short-term yields. The corporations did not switch from cash to securities, but they did buy securities in preference to swelling their cash balances more rapidly.

III
Federal Debt Is a Part of Total Debt

In what I have said so far I have been unable to avoid referring to forms of debt other than U. S. Government bonds—corporate bonds, State and local government bonds, mortgages, bank loans.

The connection is plain. If it were not for the available supply of new mortgages and of corporation bonds there would be no problem. Neither you nor any other group of investors would be interested in the question of who will buy U. S. Government bonds. You might well be anxious to buy some more yourselves.

TABLE II
Net Public and Private Debt, 1945-1955*
(Billions of dollars)

	1945	1955	Change
Total	$406.3	$657.8	+$251.5
Federal Govt.	252.7	231.5	—21.2
State & local	13.7	38.4	+24.7
Corporate	85.3	196.8	+111.5
Individual & non-corporate	54.6	191.1	+136.5

*U. S. Dept. of Commerce

The nation's total debt—which, we remember, must be held by somebody — is already immense, and it is growing much more rapidly than savings. (See Table II.) At the end of 1955 it amounted, net of duplications and overlaps —to $657.8 billion. During the preceding 10 years it had grown at a rate of more than $25 billion a year.

Federal Debt Decline

But the Federal debt is not the growth element. Indeed, it was reduced more than $21 billion in the decade, and presently it represents less than one-third of the total.

Corporate debt, on the other hand, has increased by 130% in 10 years; State and local government debt by 180%, and debts of individuals and non-corporate business by 250%. These are immense figures, and they point up the true nature of the problem.

Borrowers outside the Federal Government have felt such a tremendous desire or need to borrow and to spend that their demands in total have outrun the ability of the economy to hold the already existing debt and at the same time to absorb the annual increment. The new securities they offer have become substantialy more attractive than the existing securities of the Federal Government, which has not, on balance, been a borrower of new money. This is the reason, is it not, why you as investment officers wish to find someone to hold the old Federal issues?

It has been pointed out that government bonds have lost their liquidity. In a sense this is true, though "shiftability" may be a more precise word. During 1948, when the Federal Reserve System was buying long-term Governments at a rate of $8 billion a year, they certainly had liquidity for the individual institution. They could be sold quickly and easily, and with no loss—indeed, sometimes with a substantial profit. Liquidity in that sense certainly no longer exists.

Make Governments Competitive

But shiftability still exists—at a price. In this, I think, will be found the only real and fundamental answer to the question of who will buy government bonds, distasteful though it may be. I believe that buyers can be found in that immense and unclassifiable group of "miscellaneous" investors—when yields on existing government bonds become reasonably competitive with those on newly-offered private and local government securities.

For that matter, even you as savings bankers probably would prefer Treasury 3s even to the best triple A corporate bond, if they were offered at the same or even nearly the same yield. Instead of selling those you already have, you probably would want to buy more—and so would other institutional investors.

I realize this is by no means a pleasant or completely satisfactory answer; rather, it is probably very unpalatable. But of the seven possibilities I was able to think of it seemed to me this one was the least unpleasant. And as against the first possibility I mentioned—that of just referring the whole nasty problem to "the government"—I am sure you will agree there should be no hesitancy at all. The essence of a free economy is exercise of the freedom to choose between alternatives.

White, Weld Group Underwrite Ohio Edison Offering

The Ohio Edison Co. is offering to holders of its outstanding common stock, rights to subscribe for 580,613 additional shares of common, at a subscription price of $46.50 per share, on the basis of one share of common for each 10 shares held of record Jan. 31, 1957. Subscription rights will expire at 3:30 p.m. (EST) on Feb. 15, 1957. The offering also carries an additional subscription privilege which entitles holders of rights to subscribe at $46.50 per share on a basis of allocation, for any shares not subscribed for initially.

White, Weld & Co. is manager of an investment banking syndicate which is underwriting the offering.

Net proceeds from the sale of the additional common shares, together with cash on hand and to be derived from operations, will be used by the company to meet its cash requirements during 1957, for an additional investment of $2,100,000 in the common stock of its subsidiary, Pennsylvania Power Co., and for its 1957 construction program.

Ohio Edison Co., with its principal office in Akron, Ohio, is engaged in the generation, purchase, distribution and sale of electric energy in 588 communities, as well as in rural areas, in Ohio, having an estimated population of about 1,600,000. The company also sells electricity at wholesale to 21 municipalities and seven rural cooperative associations owning their own distribution systems and to three other electric companies in Ohio. Its subsidiary, Pennsylvana Power Co., is also engaged in the generation, purchase, distribution and sale of electric energy in 133 communities, and in rural areas, in Pennsylvania, having an estimated population of about 250,000.

For the 12 months ended Oct. 31, 1956, the company and its subsidiary had consolidated operating revenues of $128,741,000 and consolidated net income of $24,513,000.

Opens Inv. Office

Regina Bayer is engaging in a securities business from offices at 59 St. Mark's Place, New York City.

Arthur B. Miller

Arthur Birdsey Miller, associated with Stroud & Company, Incorporated, for 37 years, passed away Jan. 27 at the age of 84.

Public Utility Securities

By OWEN ELY

Central Louisiana Electric Co., Inc.

Central Louisiana Electric, with revenues of $13 million, is one of the smaller "growth utilities." During the postwar period revenues and net income have more than tripled, while share earnings increased from 84¢ in 1946 to about $2.09 in 1956. These figures are adjusted to give effect to the 2-for-1 split in 1953 and the 5% stock dividend in the same year. The dividend rate has increased from 72¢ in 1946 (adjusted) to $1.60 currently. It is estimated that about 37% of dividends were non-taxable as income in 1956.

Continuation of rapid growth seems assured by the rapid development of oil and gas, which in turn is bringing other industries into the state. President Coughlin, in a recent talk before the New York Society of Security Analysts, described 18 major area developments which he considered favorable for the company, assuming consummation. While estimates were not given for some of these projects, the available figures showed a total cost of $931 million, and anticipated added annual income for the utility company's service area is about $178 million per year.

Central Louisiana Electric supplies electricity, water and natural gas to numerous small communities in central, eastern and western Louisiana. South Louisiana Production and Louisiana Intrastate Gas, subsidiaries, were organized to develop a supply of natural gas for use as fuel in electric generating plants, and also for resale to customers.

Electricity contributes about 83% of consolidated revenues, natural gas 11% and water 6%. Domestic and rural sales provide 46% of electric revenues, commercial 27% and industrial 17%. Gas revenues are about 60% domestic, 10% commercial and 11% industrial.

The service area has an estimated population of 425,000. Local industry includes shipbuilding (supported largely by demands of the seafood and oil industries), and the raising of cotton, rice and sugar cane, production of which have become highly mechanized. The future of sugar cane culture has been greatly improved by new legislation. Timber and pulpwood are also important: production of timber has achieved only about one-fifth of its estimated potential, suggesting the possibilities for additional pulp mills.

Mineral resources are also important — oil, gas, carbon black, gravel and salt. Every parish served by the company except one has oil and gas, and new discoveries in the southern half of the state and in offshore areas are continuing. Louisiana has now moved into second position in production of oil and gas and in proven reserves, and the offshore development is just getting under way.

In the past five years great progress has been made in streamlining the company, a large number of non-utility properties (coca-cola, dairy products, ice cream, ice, etc.) having been eliminated. Seven isolated electric districts of the former Gulf Public Service Company (with which the company merged about five years ago) have been effectively integrated with Central Louisiana by means of a 20-year power exchange agreement with Louisiana Power & Light. The power exchange agreement is considered favorable, making it unnecessary to build smaller (and less efficient) units to serve these isolated areas. The company bought over one-fifth of its kwh requirements in 1955.

Capitalization as of Dec. 31, 1956, was as follows:

	Millions	Percent
Long-Term Debt	$29.9	59.4%
Preferred Stock	4.1	8.1
Com. Stock Equity	16.4	32.5
Total	$50.4	100%

The management is optimistic regarding the future of the gas business and expects over-all gas requirements to reach nearly 21 billion cf. by 1963, compared with only 4.3 billion in 1951 and 9.3 billion in 1956. The company now supplies 64% of its own needs, compared with 42% in 1951, and by 1963 hopes to meet all of its own requirements. President Coughlin states: "This ability to recapture existing loads, now supplied by others, plus established growth of the gas distribution system, and electric generating requirements, makes the future of the pipeline company a subsidiary one of certain marked growth. In addition, the pipeline should reasonably expect to pick up some industrial loads from time to time, and it has now a number of very significant but highly speculative possibilities for other development. Negotiations have been well advanced on five of these but it cannot be said with any assurance that any one of them will materialize and none has been included in the forecasts given. These are simply 'plus' possibilities."

The cost of gas for fuel is rising, and gas now being bought at 10¢ may cost 15¢ when a new contract is written in 1958. However, the steam generating unit now being constructed will produce 1 kilowatt from 10,200 BTUs, compared with 14,000 required for the old unit, so that this will substantially offset the higher cost of fuel. The company is also protected by a fuel adjustment clause in industrial and large commercial business.

The construction program for this year is estimated at about $12.5 million and will probably average about that amount per annum over the next four or five years.

Regulatory policies in Louisiana remain a little uncertain at this time because of the death of the former Chairman, Wade Martin, and the election of a new Commissioner in December. Governor Long was unsuccessful in his attempt to expand the membership in the Commission from three to five.

President Coughlin estimates share earnings for 1956 at about $2.09 and for 1957 at $2.27-$2.37, both based on average shares. The stock has been recently selling around 33½ and pays $1.60 to yield 4.8%.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Sherman I. Brooks, Frank A. Maselli, John A. McCarthy and Mrs. Marianne Shepperd have joined the staff of Allen Investment Company, Mile High Center.

With Securities Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lois M. Mergelman, Louis M. Mergelman and Clarence P. Carlat have become affiliated with Securities, Inc., Farmer's Union Building.

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)	Feb. 3	§97.1	*96.6	97.3	99.3
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 3	§2,485,000	*2,472,000	2,490,000	2,444,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 18	7,431,000	7,395,850	7,376,100	7,044,950
Crude runs to stills—daily average (bbls.)	Jan. 18	¶8,120,000	8,272,000	8,061,000	7,952,000
Gasoline output (bbls.)	Jan. 18	27,107,000	27,677,000	28,018,000	26,566,000
Kerosene output (bbls.)	Jan. 18	2,472,000	2,622,000	2,594,000	2,627,000
Distillate fuel oil output (bbls.)	Jan. 18	14,841,000	14,393,000	13,945,000	13,575,000
Residual fuel oil output (bbls.)	Jan. 18	8,923,000	9,319,000	8,856,000	9,317,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 18	191,373,000	189,243,000	180,543,000	175,785,000
Kerosene (bbls.) at	Jan. 18	27,542,000	29,795,080	32,029,000	22,711,000
Distillate fuel oil (bbls.) at	Jan. 18	114,424,000	122,983,000	134,819,000	94,610,000
Residual fuel oil (bbls.) at	Jan. 18	41,009,000	42,727,000	42,577,000	39,012,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 19	657,269	680,766	698,389	699,286
Revenue freight received from connections (no. of cars)	Jan. 19	606,515	592,679	645,437	667,376
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 24	$222,142,000	$334,976,000	$282,274,000	$362,320,000
Private construction	Jan. 24	81,297,000	157,874,000	148,848,000	149,361,000
Public construction	Jan. 24	140,845,000	177,102,000	133,426,000	212,959,000
State and municipal	Jan. 24	120,434,000	121,565,000	113,253,000	157,618,000
Federal	Jan. 24	20,411,000	55,537,000	20,173,000	55,341,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 19	9,880,000	*10,250,000	11,180,000	10,540,000
Pennsylvania anthracite (tons)	Jan. 19	489,000	535,000	570,000	682,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 19	100	107	265	98
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 26	12,410,000	12,556,000	11,196,000	11,512,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 24	258	278	174	284
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 22	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Jan. 22	$62.90	$62.90	$63.04	$59.09
Scrap steel (per gross ton)	Jan. 22	$57.83	$59.17	$63.50	$50.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 23	35.400c	35.550c	35.650c	43.925c
Export refinery at	Jan. 23	32.900c	33.700c	33.600c	45.850c
Lead (New York) at	Jan. 23	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Jan. 23	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Jan. 23	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Jan. 23	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Jan. 23	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Jan. 23	102.500c	101.875c	101.875c	103.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 29	91.52	91.36	87.90	95.91
Average corporate	Jan. 29	95.92	95.62	95.62	107.98
Aaa	Jan. 29	100.49	100.16	99.20	111.44
Aa	Jan. 29	98.25	97.78	97.94	109.97
A	Jan. 29	96.23	95.92	95.92	107.98
Baa	Jan. 29	89.09	89.09	89.64	102.63
Railroad Group	Jan. 29	94.71	94.41	94.56	106.21
Public Utilities Group	Jan. 29	96.54	96.38	96.85	108.34
Industrials Group	Jan. 29	96.38	95.92	95.47	109.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 29	3.20	3.21	3.51	2.81
Average corporate	Jan. 29	4.01	4.03	4.03	3.28
Aaa	Jan. 29	3.72	3.74	3.80	3.09
Aa	Jan. 29	3.86	3.89	3.88	3.17
A	Jan. 29	3.99	4.01	4.01	3.28
Baa	Jan. 29	4.48	4.48	4.44	3.59
Railroad Group	Jan. 29	4.09	4.11	4.10	3.38
Public Utilities Group	Jan. 29	3.97	3.98	3.95	3.26
Industrials Group	Jan. 29	3.98	4.01	4.04	3.21
MOODY'S COMMODITY INDEX	Jan. 29	429.9	435.5	441.9	407.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 19	237,425	298,301	207,805	249,990
Production (tons)	Jan. 19	278,737	277,588	280,141	293,186
Percentage of activity	Jan. 19	95	97	96	101
Unfilled orders (tons) at end of period	Jan. 19	430,271	475,500	340,551	577,998
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Jan. 25	111.14	111.01	110.16	107.34
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Jan. 5	1,306,817	918,899	1,438,457	1,069,137
Dollar value	Jan. 5	$67,436,972	$46,912,489	$79,932,473	$56,369,435
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 5	945,750	764,757	1,058,087	856,980
Customers' short sales	Jan. 5	5,723	3,743	6,721	2,241
Customers' other sales	Jan. 5	940,027	761,014	1,051,366	854,739
Dollar value	Jan. 5	$46,447,579	$35,690,619	$51,788,355	$44,699,898
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 5	222,030	182,500	227,880	222,760
Short sales	Jan. 5	------	------	------	------
Other sales	Jan. 5	222,030	182,500	227,880	222,760
Round-lot purchases by dealers—					
Number of shares	Jan. 5	521,260	337,380	649,190	419,730
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Jan. 5	411,210	241,370	597,720	277,300
Other sales	Jan. 5	10,584,780	7,555,800	12,618,720	9,507,780
Total sales	Jan. 5	10,995,990	7,797,170	13,216,440	9,785,080
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 5	1,273,040	964,140	1,720,690	1,148,180
Short sales	Jan. 5	196,810	118,900	356,480	160,270
Other sales	Jan. 5	1,319,980	764,190	1,374,030	1,140,680
Total sales	Jan. 5	1,516,790	883,090	1,730,510	1,300,950
Other transactions initiated on the floor—					
Total purchases	Jan. 5	293,500	170,050	424,230	237,730
Short sales	Jan. 5	26,400	6,400	46,300	10,700
Other sales	Jan. 5	306,490	141,580	329,150	285,680
Total sales	Jan. 5	332,890	147,980	375,450	296,380
Other transactions initiated off the floor—					
Total purchases	Jan. 5	494,825	329,240	568,415	504,276
Short sales	Jan. 5	104,780	64,140	100,540	50,190
Other sales	Jan. 5	596,404	340,664	611,949	420,689
Total sales	Jan. 5	701,184	404,804	712,489	470,879
Total round-lot transactions for account of members—					
Total purchases	Jan. 5	2,061,365	1,463,430	2,713,335	1,890,186
Short sales	Jan. 5	327,990	189,440	503,320	221,160
Other sales	Jan. 5	2,222,874	1,246,434	2,315,129	1,847,049
Total sales	Jan. 5	2,550,864	1,435,874	2,848,449	2,068,209
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 22	117.0	*116.7	116.3	111.7
Farm products	Jan. 22	89.2	*88.9	88.4	85.5
Processed foods	Jan. 22	104.5	104.1	103.3	98.6
Meats	Jan. 22	84.0	82.5	81.1	73.1
All commodities other than farm and foods	Jan. 22	125.2	124.9	124.7	119.8

*Revised figure. ¶Includes 822,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,000 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.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of October	149,125	132,316	134,65[illegible]
Stocks of aluminum (short tons) end of Oct.	62,290	47,179	16,43[illegible]
AMERICAN GAS ASSOCIATION—For month of November:			
Total gas (M therms)	5,832,800	5,229,300	5,690,500
Natural gas sales (M therms)	5,641,900	5,070,200	5,407,900
Manufactured gas sales (M therms)	20,000	21,700	35,000
Mixed gas sales (M therms)	170,000	137,400	247,600
AMERICAN IRON, AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of December	10,840,000	*10,555,500	10,503,51[illegible]
Shipments of steel products (net tons)—Month of November	7,431,136	7,930,957	7,247,99[illegible]
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (barrels of 42 gallons each)	240,213,000	235,381,000	234,969,000
Domestic crude oil output (barrels)	215,936,000	211,616,000	211,770,000
Natural gasoline output (barrels)	24,245,000	23,737,000	23,172,000
Benzol output (barrels)	32,000	28,000	27,000
Crude oil imports barrels)	31,123,000	31,281,000	25,439,000
Refined products imports (barrels)	16,660,000	12,276,000	11,957,000
Indicated consumption domestic and export (barrels)	277,489,000	259,213,000	258,242,000
Increase all stocks (barrels)	10,507,000	19,725,000	14,123,000
AMERICAN RAILWAY CAR INSTITUTE—Month of December:			
Orders for new freight cars	4,992	4,172	42,278
New freight cars delivered	7,260	6,695	3,79[illegible]
AMERICAN TRUCKING ASSOCIATIONS, INC. Month of November:			
Intercity general freight transported by 339 carriers (in tons)	4,261,364	4,742,783	4,322,93[illegible]
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	38,850,000	44,560,000	45,749,000
Pennsylvania anthracite (net tons)	2,316,000	2,600,000	2,507,000
COKE (BUREAU OF MINES)—Month of Nov.:			
Production (net tons)	6,535,843	*6,742,483	6,554,700
Oven coke (net tons)	6,328,368	*6,556,074	6,364,100
Beehive coke (net tons)	207,475	*186,409	190,600
Oven coke stock at end of month (net tons)	2,439,141	*2,584,370	1,747,53[illegible]
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of December:			
Adjusted for seasonal variations	130	*131	12[illegible]
Without seasonal adjustment	225	*158	21[illegible]
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of October (000's omitted)	44,613,469	44,786,393	41,886,59[illegible]
Revenue from ultimate customers—month of October	$730,079,000	$741,999,000	$684,817,000
Number of ultimate customers at Oct. 31	53,792,701	53,690,914	52,382,13[illegible]
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of December (1947-49 = 100)	80.6	81.5	84.[illegible]
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of December:			
Copper (per pound)—			
Domestic refinery	35.649c	35.696c	43.480c
Export refinery	33.876c	34.466c	44.665c
††London, prompt	£272.967	£280.455	Not avail.
††Three months, London (per long ton)	£273.408	£281,727	Not avail.
Lead—			
Common, New York (per pound)	16.000c	16.000c	15.558c
Common, East St. Louis (per pound)	15.800c	15.800c	15.358c
‡‡Prompt, London (per long ton)	£115.681	£118.369	£113.344
††Three months, London (per long ton)	£114.684	£116.955	£112.638
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.000c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	13.500c
††Zinc, London, prompt (per long ton)	£101.368	£100.767	£98.438
††Zinc, London, three months (per long ton)	£96.796	£96.761	£95.694
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	90.450c
Silver, London (per ounce)	80.099d	81.301d	78.231d
Sterling Exchange (check)	$2.78504	$2.78246	$2.80260
Tin, New York Straits	104.405c	110.630c	107.774c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$255.000	$279.423
¶Antimony, New York boxed	36.470c	36.470c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$104.000	$104.000	$103.769
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.35000	$2.60000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	24.400c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	72.480c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of November:			
Total number of vehicles	667,187	445,122	860,848
Number of passenger cars	576,708	352,140	745,993
Number of motor trucks	90,246	92,684	114,496
Number of buses	233	298	359
PORTLAND CEMENT (BUREAU OF MINES)— Month of October:			
Production (barrels)	29,051,000	28,643,000	27,924,000
Shipments from mills (barrels)	31,3[illegible]4,000	29,93[illegible],000	28,641,000
Stocks (at end of month—barrels)	12,998,000	*15,532,000	8,754,000
Capacity used (per cent)	107	109	110
ZINC OUTPUT (BUREAU OF MINES)— Month of October:			
Mine production of recoverable zinc in the United States (in short tons)	48,594	*42,643	41,338
ZINC OXIDE (BUREAU OF MINES)—Month of November:			
Production (short tons)	16,760	17,144	17,314
Shipments (short tons)	14,551	16,011	16,762
Stocks at end of month (short tons)	21,412	19,203	20,417

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Aid Investment & Discount, Inc., Akron, O. (2/11-15)
Jan. 24 filed $1,250,000 of 6% capital notes due Feb. 1, 1972 (convertible until Feb. 1, 1964). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for expansion program. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, O.

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.

★ Allweather Antennas Manufacturing Co.
Jan. 24 (letter of notification) 15,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To purchase raw materials, machinery and equipment and for working capital. **Office**—350 S. Egg Harbor Road, Hammonton, N. J. **Underwriter**—None.

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 Colortype Co.
Jan. 14 (letter of notification) 9,000 shares of common stock (par $10) to be offered to employees pursuant to Employees Stock Subscription Plan for 1957 in 100 share lots. **Price**—Equal to 95% of market price. **Office**—1151 Roscoe St., Chicago, Ill. **Underwriter**—None.

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 $12,725,800 of 20-year 5% convertible subordinated debentures due February 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 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 February 8, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire February 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.

★ Anaconda Co., New York (2/18)
Jan. 25 filed 1,734,865 shares of capital stock (par $50) to be offered for subscription by stockholders of record Feb. 14, 1957 at the rate of one additional share for each five shares held; rights to expire on March 5. **Price**—To be supplied by amendment. **Proceeds**—For improvement and expansion program. **Underwriter**—Hallgarten & Co., New York.

★ Arnold Altex Aluminum Co., Miami, Fla.
Jan. 24 filed 177,760 shares of 35-cent cumulative convertible preferred stock (par $4) and 177,760 shares of common stock (par $1) to be offered in units of one share of each class of stock. Of the common stock, 50,000 shares are to be sold for account of certain selling stockholders. **Price**—$9 per unit ($5 for preferred and $4 for common). **Proceeds**—To repay bank loans and for expansion and working capital. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ Ashland Oil & Refining Co.
Jan. 30 filed 306,000 shares of common stock (par $1) to be issued pursuant to the exercise of options issued to officers and key employees of the company and its subsidiaries.

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.

★ Austin Acceptance Inc., Denver, Colo.
Jan. 16 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For lending monies in Chicago, Ill. **Address**—c/o Albert Brenman (Counsel), 524 First National Bank Bldg., Denver, Colo. **Underwriter**—None.

Automation Development Mutual Fund, Inc.
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

Bank Shares, Inc.
Dec. 27 (letter of notification) 30,000 shares of 6% prior preferred series C stock to be offered to holders of series A prior preferred and common stockholders of record Dec. 31, 1956 on the basis of one new share for each four shares of old stock held. **Price**—At par ($10 per share). **Proceeds**—To be added to general fund. **Office**—7th St. & Marquette Ave., Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

★ Barden Corp., Danbury, Conn. (2/18-21)
Jan. 25 filed 146,160 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To four trusts. **Business** — Manufactures precision ballbearings. **Underwriter**—Shearson, Hammill & Co., New York.

★ Barnwell Offshore, Inc., Shreveport, La.
Jan. 29 filed $2,000,000 of 6% subordinated sinking fund debentures due Feb. 15, 1967, and 600,000 shares of common stock (par 50 cents) to be offered in units of $100 of debentures and 30 shares of stock. **Price** — $128 per unit ($98 for the debenture and $1 per share for the stock). **Proceeds**—For expenses incident to off-shores drilling of oil and gas wells. **Underwriter**—Bear, Stearns & Co., New York.

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.

★ 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.

★ Belmont, Community Club, Inc.
Jan. 16 (letter of notification) $50,000 of 10-year 6% debenture notes. **Office** — Bonforte & Horeshoe Drive, P. O. Box 1000, Pueblo, Colo. **Underwriter**—None.

★ Black & Decker Manufacturing Co., Towson, Md.
Jan. 22 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to employees of the company and its subsidiaries pursuant to employees' stock purchase plan adopted in 1957. **Price**—90% of market price on New York Stock Exchange on Feb. 5, 1957. **Proceeds** — For working capital. **Underwriter**—None.

• Brunswick-Balke-Collender Co. (2/1)
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. 31, 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.

★ 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.

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.

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.

★ Central Electric & Gas Co. (2/14)
Jan. 25 filed $1,750,000 of convertible subordinated debentures due Nov. 1, 1971. **Price**—At 100% of principal amount. **Proceeds**—To repay bank loans, purchase securities of subsidiaries and for other corporate purposes. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

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 Feb. 5, 1957 on the basis of $100 of debentures for each 17 shares of stock held; rights to expire on Feb. 20. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Allen & Co., New York.

★ Columbia Uranium, Inc.
Jan. 22 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—517 Arctic Bldg., Seattle, 4, Wash. **Underwriter**—None.

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.

★ Connecticut Light & Power Co. (2/11)
Jan. 24 filed 927,598 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 11, 1957 on the basis of one new share for each seven shares held; rights to expire on March 6. **Price** — To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None.

• 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. Statement effective Jan. 23.

★ 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.

★ Crown Western Investments, Inc., Dallas, Tex.
Jan. 25 filed (by amendment) an additional 200,000 Diversified Income Fund, series D2, shares. **Price**—At market. **Proceeds**—For investment.

★ Danly Machine Specialties, Inc., Cicero, Ill.
Jan. 30 filed 150,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

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.

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.

★ Dixilyn Drilling Corp., Odessa, Tex. (2/20)
Jan. 28 filed 930,000 shares of class A convertible stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other debt; and to purchase equipment. **Underwriters**—Hemphill, Noyes & Co., New York; and Dallas Union Securities Co., Dallas, Tex.

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. Statement effective Jan. 17.

★ Drexel Chemical Corp.
Jan. 23 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase equipment; installation; reserve of raw material and for working capital. **Office**—1608 Walnut St., Philadelphia, Pa. **Underwriter**—None.

★ Dreyfus Corp., New York
Jan. 16 filed (by amendment) $8,500,000 additional fully paid programs and $81,500,000 additional systematic accumulation programs.

★ Dreyfus Fund, Inc., New York
Jan. 16 filed (by amendment) 2,000,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ Elco Corp.
Jan. 17 (letter of notification) $90,500 of five-year 6% subordinate debentures. **Price**—90% of principal amount. **Proceeds**—For expansion of tooling and for purchase of additional machinery. **Office**—M St., below Erie Ave., Philadelphia, Pa. **Underwriter**—None.

★ Emerite Corp.
Jan. 21 (letter of notification) 250,000 shares of capital stock (no par). **Price** — $1 per share. **Proceeds** — For working capital. **Office** — 604 Deposit Guaranty Bank Bldg., Jackson, Miss. **Underwriter**—None.

★ En Flo Corp.
Jan. 14 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For machinery, equipment, working capital, etc. **Address**—Airport Circle, Route 38, Pennsauken, N. J. **Underwriter**—Arthur & Co., Haddonfield, N. J.

● Eternalite, Inc., New Orleans, La. (2/13)
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.

★ First Investment Co.
Jan. 16 (letter of notification) $30,000 of 5-year variable interest notes to be offered to present security holders in denominations of $100 for cash or by exchange for same amount of indebtedness. **Proceeds**—For retirement of other indebtedness of company or for working capital. **Office**—42 West Broad St., Columbus, Ohio. **Underwriter**—None.

Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

Flick-Reedy Corp., Melrose Park, Ill.
Dec. 28 filed $1,200,000 of 6% registered subordinated debentures due Feb. 1, 1972, and 120,000 shares of common stock (par $1) to be offered to employees, customers and certain other individuals in units of $100 of debentures and 10 shares of stock. **Price**—$115 per unit. **Proceeds** — For expansion and general corporate purposes. **Underwriter**—None.

Florida Growth Fund, Inc.
Nov. 23 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla. **Offering**—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.

★ Fountain's Inc., Greenwood, Miss.
Jan. 21 (letter of notification) 5,000 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—To pay past due bills and for working capital. **Underwriter**—Lewis & Co., Jackson, Miss.

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

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NEW ISSUE CALENDAR

February 1 (Friday)
Brunswick-Balke-Collender Co.______Debentures
(Offering to stockholders—may be underwritten by Lehman Brothers) $5,888,800
Consumers Time Credit, Inc.__________Debentures
(Walnut Securities Corp.; B. Ray Robbins Co.; and Berry & Co.) $250,000
K D I Corp.____________________________Preferred
(McDonald, Holman & Co., Inc.) $499,996
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. CST) $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)
Aid Investment & Discount, Inc.____________Notes
(Merrill, Turben & Co. Inc.) $1,250,000
Connecticut Light & Power Co.__________Common
(Offering to stockholders—no underwriting) 927,598 shares
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
Tower Acceptance Corp.__________Class A Common
(S. D. Fuller & Co. $1,000,000

February 13 (Wednesday)
Eternalite, Inc.___________________Class A Common
(Vickers Brothers) $900,000
Norfolk & Western Ry.___________Equip. Trust Ctfs.
(Bids noon EST) $2,910,000
Potomac Electric Power Co.__________Debentures
(Bids 11 a.m. EST) $30,000,000

February 14 (Thursday)
Central Electric & Gas Co.____________Debentures
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp) $1,750,000
New York, Chicago & St. Louis RR.
Equip. Trust Ctfs.
(Bids to be invited) $6,400,000

February 15 (Friday)
Franklin Discount Co._______________Debentures
(No underwriting) $100,000
Security Electronics Corp._______________Common
(Foster-Mann, Inc.) $263,750
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)
Anaconda Co. ___________________________Common
(Offering to stockholders—underwritten by Hallgarten & Co.) 1,734,[illegible] shares
Barden Corp. ___________________________Common
(Shearson, Hammill & Co.) 146,160 shares
New England Power Co.____________________Bonds
(Bids noon EST) $10,000,000

February 19 (Tuesday)
Southern California Edison Co.____________Bonds
(Bids to be invited) $37,500,000

February 20 (Wednesday)
Dixilyn Drilling Corp.__________________Class A
(Hemphill, Noyes & Co. and Dallas Union Securities Co.) 930,000 shares
Indianapolis Water Co.__________________Common
(Glore, Forgan & Co. and Raffensperger, Hughes & Co.) 250,000 shares

February 25 (Monday)
South Carolina Electric & Gas Co.________Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) $6,000,000

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
Potomac Electric Power Co.____________Preferred
(Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) $15,000,000
Southern Indiana Gas & Electric Co.________Bonds
(Bids to be invited) $5,000,000
~~West Penn Electric Co.~~________________Common
(Offering to stockholders—bids 11 a.m. EST) 528,000 shares

February 27 (Wednesday)
United Gas Corp.__________________________Bonds
(Bids noon EST) $35,000,000

March 1 (Friday)
Transition Metals & Chemicals, Inc.______Common
(M. S. Gerber, Inc.) $500,000

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
Savannah Electric & Power Co.__________Preferred
(The First Boston Corp. and Stone & Webster Securities Corp.) $2,000,000
Savannah Electric & Power Co.__________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Stone & Webster Securities Corp.) 163,334 shares

March 19 (Tuesday)
Appalachian Electric Power Co.___________Bonds
(Bids to be invited) $29,000,000

March 20 (Wednesday)
Public Service Electric & Gas Co._____Debentures
(Bids 11 a.m. EST) $50,000,000

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 11 a.m. EST) $6,000,000

May 9 (Thursday)
Alabama Power Co. ________________________Bonds
(Bids 11 a.m. EDT) $14,500,000

May 28 (Tuesday)
National Fuel Gas Co._______________Debentures
(Bids 11:30 a.m. EST) $15,000,000

June 4 (Tuesday)
Virginia Electric & Power Co.____________Common
(Bids to be invited) 500,000 shares

June 6 (Thursday)
Georgia Power Co.__________________________Bonds
(Bids 11 a.m. EDT) $15,500,000

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working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

★ **Garment Capitol Associates, New York**
Jan. 24 filed 1,047 participations in partnership interests. **Price**—$10,000 minimum per unit. **Proceeds**—To acquire title to land and building located at 498 Seventh Ave., New York City. **Underwriter**—None.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney Geenral of the United States. **Underwriter**—To be determined by competitive bidding. 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.

★ **Gob Shops of America, Inc.**
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds** — For additional discount department store operation; to increase the number of stores; and for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

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.**
Jan. 2 filed 108,160 shares of common stock (par $5) being offered for subscription by common stockholders of record Jan. 25, at the rate of one new share for each two shares held; rights to expire Feb. 8. **Price**—$29 per share. **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) being offered in exchange for outstanding capital stock of Savoy-Plaza, Inc., at the rate of three shares of series A preferred and three shares of common stock of Hilton Hotels for each class A and class B share of Savoy-Plaza. The exchange offer will not become effective unless at least 80% of the class A and class B stock of Savoy-Plaza is tendered. Statement effective Dec. 26.

★ **Holly Corp., New York**
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $50) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are to be offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are to be offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares will be offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. **Underwriter**—None.

★ **Howell (Robert) Corp.**
Jan. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire certain licensing agreement and a contract from Robert Howell Co.; to acquire a plant site and building; and for working capital. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None.

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.

★ **Investment Co. of America**
Jan. 16 filed (by amendment) 2,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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. (2/1-4)**
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.

★ **Leslie Productions, Inc., Columbia, S. C.**
Jan. 14 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For special building, equipment and for working capital. **Underwriter**—Alester G. Furman Co., Inc., Greenville, S. C.

● **Louisville Gas & Electric Co. (Ky.)**
Jan. 3 filed 330,000 shares of common stock (no par) being 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**—$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.

★ **Massachusetts Investors Trust, Boston, Mass.**
Jan. 24 filed (by amendment) an additional 8,868,132.796 shares of beneficial interest in the trust. **Price**—At market. **Proceeds**—For investment.

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.

★ **Mobile Credit Co., Mobile, Ala.**
Jan. 15 (letter of notification) 1,250 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Address**—c/o John C. Shea, 417 Penobscot Bldg., Detroit, Mich. **Underwriter**—None.

★ **Mooney Aircraft, Inc., Kerrville, Tex.**
Jan. 15 (letter of notification) 60,000 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Morningstar, Nicol, Inc., New York.**
Jan. 29 filed 100,000 shares of common stock (par $1), of which 77,853 shares are to be sold for company's account and 22,147 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For construction of plants in California and Hawthorne, N. J., and for working capital. **Underwriter**—Lee Higginson Corp., New York.

★ **Morrison Cafeterias Consolidated, Inc.**
Jan. 14 (letter of notification) 10,000 shares of common stock (par $5) to be offered to employees through Employees Stock Purchase Plan. **Price**—$13 per share. **Proceeds**—For working capital. **Address** — P. O. Box 309, Mobile, Ala. **Underwriter**—None.

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 Homes Corp., Lafayette, Ind.**
Jan. 16 (letter of notification) 20,000 shares of class B common stock (par 50 cents) to be offered pursuant to an employees' stock purchase plan. **Price**—$15 per share. **Proceeds**—For working capital. **Address** — c/o Stuart, Devol, Branigin & Ricks, Lafayette, Ind. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

New Brunswick (Province of)
Dec. 14 filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Temporarily delayed.

New England Electric System (2/1)
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

New England Power Co. (2/18)
Jan. 15 filed $10,000,000 of first mortgage bonds, series G, due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch,

Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to noon (EST) on Feb. 18 at 441 Stuart Street, Boston 16, Mass.

★ New York Shipbuilding Corp., Camden, N. J.
Jan. 24 filed 211,254 shares of common stock (par $1). **Price**—To be related to the prevailing price on the New York Stock Exchange at the time of sale. **Proceeds**—To Merritt-Chapman & Scott Corp., the selling stockholder. **Underwriter**—None.

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.

• Ohio Edison Co.
Jan. 3 filed 580,613 shares of common stock (par $12) being 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**—$46.50 per share. **Proceeds**—For additional investment in common stock of Pennsylvania Electric Co., a subsidiary, and for construction program. **Underwriter** — White, Weld & Co. won award of this issue on Jan. 30.

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) 11,295 shares of common stock (par $10) being offered for subscription by common stockholders on the basis of one share for each 12 shares held as of Jan. 11, 1957; rights to expire on Jan. 31. **Price**—$24 per share. **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.

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**—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 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**—Expected to be received up to 11 a.m. (EST) on Feb. 13.

• Potomac Electric Power Co. (2/26)
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.

★ Producers Finance Co. of Arizona
Jan. 18 (letter of notification)) 150,134 shares of common stock to be offered to holders of stock purchase rights and certain employees. **Price** — At par ($1 per share). **Proceeds**—For working capital. **Office**—765 West Main St., Mesa, Ariz. **Underwriter**—None.

Public Service Co. of Oklahoma (2/4)
Jan. 14 filed $12,000,000 of first mortgage bonds, series F, due Feb. 1, 1987. **Proceeds** — To repay $8,400,000 of short-term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled to be received up to 11 a.m. (CST) on Feb. 4 at 20 No. Wacker Drive, Chicago, Ill.

• 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. Statement effective Jan. 23. **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.

★ Raymond Oil Co., Inc., Wichita, Kansas
Jan. 29 filed 200,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration, development and operation of oil and gas properties. **Underwriter**—Perkins & Co., Inc., Dallas, Tex.

• 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. Statement to be withdrawn.

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.

★ Sandshell Corp.
Jan. 10 (letter of notification) 15,000 shares of common stock (par $10) to be offered pro rata to shareholders. **Price**—$7 per share. **Proceeds** — For working capital; purchase of additional equipment and for the development and marketing of a Sandshell product line. **Office**—775 Kifer Road, Santa Clara, Calif. **Underwriter**—None.

★ Sea Products Corp.
Jan. 14 (letter of notification) 12,000 shares of common stock (no par). **Price**—$15 per share. **Proceeds**—To pay mortgage and for working capital. **Office**—222 Union St., New Bedford, Mass. **Underwriter**—None.

• Security Electronics Corp. (2/15)
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.

★ Security Finance Plan, Inc.
Jan. 23 (letter of notification) $75,000 of 7% subordinated capital debentures due Feb. 1, 1977. **Price**—At par. **Proceeds**—For working capital. **Office**—73 North St., Pittsfield, Mass. **Underwriter**—None.

• Socony Mobil Oil Co., Inc.
Jan. 10 filed 4,379,758 shares of capital stock (par $15) being 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**—$45.50 per share. **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, series H, due 1982. **Proceeds** — To repay bank loans and 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 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.

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.

★ Sperti Products, Inc., Hoboken, N. J.
Jan. 29 filed $745,300 of 6% debentures due March 1, 1972 and 14,906 shares of common stock (par $1) to be offered in units of a $100 debenture and two shares of stock, of which $545,300 of the debentures and 10,906 shares of stock are to be offered first in exchange for the 54,530 outstanding shares of 5% cumulative convertible preferred stock (par $10) at the rate of one new unit for each 10 shares of preferred stock. The remaining $200,000 of debentures and 4,000 shares of common stock are to be publicly offered. **Price**—$100 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—Smart, Clowes & Oswald, Inc., Louisville, Ky.

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.

• Title Guarantee & Trust Co., New York
Nov. 21 filed 61,902 shares of capital stock (par $8) of which 35,750 shares are being 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. (2/11-15)
Dec. 7 filed 200,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Houston, Tex. **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.

★ Trans-Gulf Offshore Drilling, Inc., Houston, Tex.
Jan. 24 filed 700,000 shares of common stock (par 25 cents). **Price** — $2 per share. **Proceeds** — For mobile drilling platform; reserves for escalation and contingency charges, etc. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Tex.

• Transition Metals & Chemicals, Inc. (3/1)
Jan. 22 filed 1,615,500 shares of common stock and 1,126,500 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. **Office**—Wallkill, N. Y. **Underwriter**—M. S. Gerber, Inc., New York.

★ Tredegar Timber Co., Inc.
Jan. 22 (letter of notification) 30,354 shares of common stock to be offered to stockholders on the basis of six shares for each share held (par $2.50). **Price**—$5 per share. **Proceeds**—For development of company's property and working capital. **Office** — 905 Mutual Bldg., Richmond, Va. **Underwriter**—None.

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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.

★ Ulen Management Co., New York
Jan. 29 filed 400,000 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital. **Underwriters**—Sutro Bros. & Co. and Allen & Co., both of New York.

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.

★ Venezuelan Sulphur Corp. of America (N. Y.)
Jan. 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

★ West Penn Electric Co. (2/26)
Jan. 25 filed 528,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 26, 1957, on the basis of one additional share for each 16 shares held; rights to expire on March 14. **Price** — To be named by company (sufficient to raise about $11,000,000 or $12,000,000). **Proceeds**—To increase investments in subsidiaries. **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 to be received up to 11 a.m (EST) on Feb. 26.

● Western Light & Telephone Co., Inc.
Jan. 4 filed 65,568 shares of 5.20% cumulative convertible preferred stock (par $25) being 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.

★ Wright Line, Inc.
Jan. 15 (letter of notification) 11,680 shares of class B common stock (par $1) to be offered as follows: 10,720 shares to holders of options granted Jan. 29, 1954 at $2.62½ per share and 960 shares to holders of options granted Jan. 11, 1954 at $3.37½ per share; both expire in 1958. **Proceeds** — For working capital. **Office**—160 Gold Star Blvd., Worcester, Mass. **Underwriter**—None.

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 up to 11 a.m. (EDT) 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.

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.

Brazos River Gas Co. (Texas)
Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of New York.

Carolina Power & Light Co.
Oct. 15 it was reported company plans to issue and sell between $15,000,000 and $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Offering**—Expected in 1957.

Carolina Telephone & Telegraph Co.
Nov. 16 it was reported company has applied to the North Carolina P. U. Commission for authority to offer to its common stockholders an additional 58,310 shares of common stock on the basis of one new share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—None. Southern Bell Telephone & Telegraph Co. in February, 1956, sold its rights to 14,464 shares (of a 66,640 share offering to stockholders) to R. S. Dickson & Co.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, announced that "while the company expected to do some permanent financing in 1957, no definite plans have yet been worked out. Bank loans outstanding at the year end totaled $10,500,000. Construction expenditures for 1957 are now estimated at between $19,000,000 and $20,000,000. It is estimated that $5,500,000 of the amount needed for this program will be supplied from internal cash with the balance to be supplied from outside sources. **Underwriters**—Any common stock offer (first to stockholders) may be underwritten by Harriman, Ripley & Co. Inc., The First Boston Corp. and Coffin & Burr, Inc. Bidders for any bonds may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler.

Central National Bank of Cleveland
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.

● 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. They will be offered to common stockholders for subscription about Feb. 26 at the rate of $4 principal amount of debentures for each share of common stock held; rights to expire on or about March 25. 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. Exemption from competitive bidding requested. Morgan Stanley & Co. underwrote previous financing on a negotiated basis.

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 Power Co.
Jan. 25 it was announced that company plans to offer to its common stockholders 549,324 shares of additional common stock on the basis of one new share for each 15 shares held. Unsubscribed shares to be offered to employees. **Price**—Not less than $4.50 per share below market price at time of offering. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co. Inc. and The First Boston Corp (jointly).

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.

★ Eastern Utilities Associates
Jan. 28 the trustees approved an offering of 89,322 shares of $10 par value common stock of this Association to shareholders for subscription on a 1-for-12 basis. **Proceeds**—To repay bank loans and for general corporate purposes. **Dealer-Manager** — Kidder, Peabody & Co., New York. **Subscription Agent**—Stone & Webster Service Corp., Boston, Mass. **Offering** — Planned for latter part of March, 1957.

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 to be received up to 11 a.m. (EDT) on 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.

★ **Indianapolis Water Co. (2/20)**
Jan. 25 it was announced registration is expected today (Jan. 31) of 250,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Glore, Forgan & Co., Chicago, Ill.; and Raffensperger, Hughes & Co., Indianapolis, Ind.

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. **Underwriters** — May be The First Boston Corp., New York; and G. H. Walker & Co., St. Louis, Mo.

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. 24 stockholders approved certain proposals authorizing $10,000,000 of debentures and increasing the 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 up to 11 a.m. (EST) on April 11.

National Fuel Gas Co. (5/28)
Jan. 10 it was reported company plans to issue $15,000,000 of new 25-year 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. **Registration**—Planned for April 18.

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 $2,910,000 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.

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.

★ **Public Service Electric & Gas Co. (3/20)**
Jan. 29 it was announced company plans to issue and sell $50,000,000 of debentures due March 1, 1977. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 20.

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.

★ **Rochester Telephone Corp.**
Jan. 28 it was announced company plans to offer to its common stockholders 195,312 additional shares of common stock on the basis of one new share for each five shares held. **Proceeds** — To repay about $3,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York.

Royal State Bank of New York
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 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.

★ **Savannah Electric & Power Co. (3/15)**
Jan. 21 it was reported company plans to register on or about Feb. 13 a total of 20,000 shares of cumulative preferred stock (par $100) and 163,334 additional shares of common stock (latter to be offered for subscription by common stockholders of record about March 14, 1957 on a 1-for-6 basis; rights to expire on March 29). **Underwriters**—The First Boston Corp. and Stone & Webster Securities Corp., both of 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.

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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 250 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 sell in March $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).

★ TMT Trailer Ferry, Inc.
Jan. 21 it was reported corporation is considering public financing, but details have not as yet been determined. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

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.

★ United Gas Corp. (2/27)
Jan. 28 it was reported company plans to issue and sell $35,000,000 of refunding mortgage bonds due 1977. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); White, Weld & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp. **Registration**—Planned for Feb. 1. **Bids**—Expected to be received up to noon (EST) on Feb. 27.

Valley National Bank, Phoenix, Ariz.
Jan. 16 the bank offered to its common stockholders record Jan. 15, 1957 the right to subscribe for 105,0 additional shares of common stock (par $5) on the ba of one new share for each 12 shares held; rights to expi on Feb. 1. **Price**—$26 per share. **Proceeds**—To increa capital and surplus. **Underwriters**—William R. Sta & Co. and Blyth & Co., Inc.

★ Virginia Electric & Power Co. (6/4)
Jan. 28 it was reported company plans to issue and s 500,000 shares of common stock. **Underwriters**—To b determined by competitive bidding. Probable bidde Stone & Webster Securities Corp.; Merrill Lynch, Pier Fenner & Beane. **Bids**—Tentatively expected on June

Washington Gas Light Co.
Dec. 12, Everett J. Boothby, President, announced th the company expects to raise about $8,000,000 throu the sale of first mortgage bonds some time in 1957. **Pro ceeds**—To repay bank loans and for construction pro gram. **Underwriter**—To be determined by competiti 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, Uni Securities & Co.; The First Boston Corp.

West Penn Power Co.
Dec. 27 it was announced company plans to issue so additional senior securities, probably about $20,000,0 of first mortgage bonds due 1987. **Proceeds** — To rep bank loans and for new construction. **Underwriter**— be determined by competitive bidding. Probable bidde Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Se rities & Co.; Kidder, Peabody & Co. and White, W & Co. (jointly); Lehman Brothers; The First Bos Corp.; W. C. Langley & Co.; Harriman Ripley & Co. I **Offering**—Expected sometime in July.

Western Massachusetts Companies
Dec. 17 it was reported company plans to issue and s about $10,000,000 of first mortgage bonds in the Spri **Underwriter**—To be determined by competitive biddi Probable bidders: Halsey, Stuart & Co. Inc.; Equita Securities Corp. and Lee Higginson Corp. (joint Blyth & Co. Inc.; Blair & Co. Incorporated; Coffi Burr, Inc.; The First Boston Corp. and White, Weld Co. (jointly).

Wrigley Properties, Inc.
Dec. 6 it was announced this company, a newly form subsidiary of ACF-Wrigley Stores, Inc., plans to off its shares of capital stock for subscription by the latt stock, debenture and option holders, the offering stockholders to be on the basis of one share of Prop ties stock for each two shares of ACF-Wrigley. **Proce**—To develop locations principally for use by the par company, which may include individual locations, wa house sites and shopping centers. **Underwriter**—Al & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

Institutional investors, that is the relatively newer classifications in the field, were in a somewhat more receptive mood this week, judging by the reports of favorable response accorded new issues.

One of the larger debt offerings brought to market Mountain States Telephone & Telegraph Co.'s $35 million of 31-year debentures, offered a case in point.

The successful banking group paid the company a price of 100.4599 for a 4⅜% coupon rate and proceeded to reoffer publicly at 101.277 for a yield of 4.30% to the buyer.

The return evidently appealed to pension funds and also State Funds in the New England and Middle Western areas, since buyers of this type were reported taking down sizable lots, so much so that the issue was reported moving vigorously.

Similarly, the Port of New York Authority's $50 million of 30-year consolidated bonds was reported to have been well-received. Prior to the opening of bids two banking syndicates which had been in the field, decided to join forces and submitted a single bid which was accepted.

The group bid 97.10 for a 3.40% interest rate and brought the issue to market at a price of 98½.

The general market appeared to feel the improved sentiment with dealers reporting that issues which had been lagging a week ago were attracting more interest from investors.

Private Placements

Every so often a situation develops which helps to explain the recurrent absence from the market of some of the bigger investment aggregations like the major life insurance companies.

These huge pools of capital which help no end in supplying industry's funds for expansion and development frequently are committed ahead for substantial amounts. And when payment date under such obligations rolls around large blocks of funds are taken out of the investment stream.

Private placement of Olin Revere Metals Corp.'s $200 million of debt securities this week provided such an instance. Half this total took the form of 21-year first mortgage bonds and the balance serial notes due semi-annually from 1959 to 1963.

Calendar Still Building

Notwithstanding indications that the economy may be experiencing something along the lines of mild "rolling adjustment" there is no evidence of any substantial slowing down in demand for capital funds.

On the contrary the new issue calendar appears to be building up with the promise that underwriters will continue busy for months ahead. Latest to project a new issue is Public Service Electric & Gas Corp., which plans to come into the market late in March for another $50 million of new money.

Not all the new capital currently being sought takes the form of debt securities. Many firms still are disposed to use equities. Socony-Mobil took that route this week and West Penn Electric Co. has filed to cover an offering of 528,000 shares additional of its $5 par common stock to raise around $14 million.

Big Week in "Rights"

Next week will bring out a number of offerings which will be made initially to stockholders on the basis of "subscription" rights. Largest of these will be Phillips Petroleum's offering of $171.7 million of convertible debentures starting on Friday.

Stanrock Uranium Mines' $26 million of bonds, slated for Wednesday, shapes up as the largest bond offering followed by Colorado Fuel & Iron's $19.9 million of debentures and Carrier Corp.'s $18 million of the same type security.

Public Service Co. of Oklahoma has $12 million of bonds up for bids on Monday with Aluminum Co. of America scheduled to offer 250,000 shares of common on Tuesday and R. H. Macy & Co. $12,281,100 of debentures, via "rights" a few days later.

Socony Mobil Oil Offer Underwritten by Morgan Stanley Group

Socony Mobil Oil Co., Inc. is issuing to the holders of its capital stock rights to subscribe at $45.50 per share for 4,379,758 shares of additional capital stock at the rate of one share for each 10 shares held of record on Jan. 30, 1957. The subscription rights expire at 3:30 p.m. (EST) on Feb. 19, 1957.

The sale of the additional shares, involving more than $199,-278,000 represents the nation's second largest industrial common stock offering to stockholders since passage of the Securities Act of 1933. The offering is being underwritten by a nationwide group of 257 investment firms headed by Morgan Stanley & Co. The underwriters have agreed to purchase any unsubscribed shares from the company. Subscription warrants will be mailed to the 181,000 holders of the company's capital stock during the next few days.

Socony Mobil, a leader in the petroleum industry, has extensive interests in both the Western and Eastern Hemispheres. Proceeds from the sale of the additional shares will be added to the company's general funds to be used for general corporate purposes, including expansion and improvement of facilities.

During the six years and nine months ended Sept. 30, 1956, the company spent more than $1,700,-000,000 for the acquisition and replacement of properties, pla and equipment and in the sea for additional crude oil reser Scheduled capital expenditures 1957 are estimated at $475,000, of which about 85% will be located to the company's ope tions in the Western Hemisph More than half of the 1957 spe ing will be for the acquisition development of crude oil prod tion.

Over the six years from 1 to 1955, the company's gross come increased from $1,646,163 to $2,500,505,000 and net inc rose from $138,000,000 to $2 347,000. Net income for the y 1956 is estimated by the comp at $250,000,000.

Socony Mobil's integrated erations include production, tra portation, refining and marketi of petroleum and its products the United States and various eign countries. The princi sources of foreign production in the Middle East, Venezu Canada and Colombia. The co pany distributes petroleum pr ucts in most of the 48 states in Alaska, the principal volu being in the North East, Cen West, South West and Pac areas. The more important pr ucts manufactured and marke by the company are gasoline, m tor oils and greases, industr lubricating oils and greases, f oil, diesel oil and kerosine.

On Dec. 10, 1956 the compa paid a dividend of 50 cents share and an extra dividend 50 cents per share. The additio shares currently offered will be entitled to the dividend of cents per share declared Jan. 1957, payable March 9, 1957.

Mutual Funds

By ROBERT R. RICH

1956 Mutual Fund Redemptions at Record Low

Shareholders of open-end investment companies turned in for redemption during 1956 a lower percentage of their total holdings than in any year since redemptions data were first recorded in 1940, the National Association of Investment Companies announced.

Investors among its 135 open-end member companies redeemed $433 million of holdings during the year, representing only 4.8% of year-end assets of $9.0 billion, according to the Association. This compares wit ah redemption ratio of 5.6% in 1955, 6.5% in 1954, and 5.0% in 1952, the previous low year.

This 4.8% redemption rate among mutual fund investors compares with a 13.7% turnover rate for all stocks listed on the New York Stock Exchange, suggesting that mutual fund owners invest for long-term goals and are not, apparently, influenced by short-term stock price fluctuations to dispose of their holdings. The low redemption rate, which has been less than half the Stock Exchange turnover rate over the years, leads toward the conclusion, the Association commented, that most mutual fund redemptions are made when the investor's long-term objective has been achieved.

Further evidence that stock price fluctuations fail to disturb the long-term plans of mutual fund investors was released by the Association today. A survey conducted by the NAIC at the request of the U. S. Senate Banking and Currency Committee shows, for the first time, mutual fund purchases and redemptions during extended periods of general market liquidation and price level decline. Companies representing 74.3% of the Association's open-end membership participated in the survey, providing data for three six-month periods: May-October 1946, January-June 1949, and April-September 1953.

In each month of the three periods, investors purchased substantially more mutual fund shares than they redeemed, even though common stock prices generally were declining. In the 1946 period, between May and November, when the Dow-Jones Industrial Average declined by 18.2%, investor purchases of new mutual fund shares were $98.8 million, while redemptions of shares outstanding totaled only $38.7 million. In the first six months of 1949, with the Dow-Jones Average off 5.6%, investor purchases of mutual fund shares were $133 million and redemptions were $24.7 million; figures for purchases and redemptions were $228.4 and $60.2 million respectively during the third period studied, from April 1 through Sept. 30, 1953, when the Dow-Jones Average declined 15.8 points, or 5.7%.

These new figures confirm previous Association studies of mutual fund investor activities in shorter periods of abrupt price drop. One such study was made in January 1955 during which the drop in the Dow-Jones Industrial Average reached a maximum of 5.1%, and mutual fund new share sales of $105.9 million exceeded by $59.6 million the month's redemptions of $46.3 million. A similar survey was conducted in the week following the President's heart attack in 1955. At that time investors purchased mutual fund shares with a value of $22.5 million while redemptions were $10.1 million, even though the Dow-Jones Average was off 4.3%.

The fact that mutual fund investors tend to hold onto their investments and add to them in periods of market decline indicates not only their long range investment planning, the Association commented, but also demonstrates that the funds themselves are under no pressure, in such periods, to liquidate portfolio securities in order to meet redemptions. From this it may be concluded, according to the National Association of Investment Companies that any effect of mutual fund portfolio purchases and sales on the stock market prices in periods of general decline has been in the direction of stability.

Petersen Advisor To Wisconsin Fund

CHICAGO, Ill. — Herman H. Petersen, of the investment advisory department of Glore, Forgan & Co., Chicago, has been named as an advisor to Wisconsin Fund, Inc., a mutual fund, it was announced to day by Harold W. Story, Fund President and Vice-President and General Attorney of Allis-Chalmers Manufacturing Co.

Mr. Petersen will work with Fernand Paternotte, director of Glore Forgan's advisory department, who has counselled the Fund's Investment Committee on portfolio holdings for 20 years.

Prior to joining Glore, Forgan & Co, in 1956, Mr. Petersen was Vice-President in charge of the investment department of Northwestern National Insurance Company of Milwaukee, a firm he had been with since 1939.

Mass. Investors Trust Makes Records In Assets, Holders and Shares

Massachusetts Investors Trust, the nation's oldest mutual investment company, had total net assets on Dec. 31 of $1,098,594,429 and 159,414 shareholders holding 94,476,155 shares outstanding, the Trustees stated in the annual report for 1956. All figures represent new year-end highs for the trust.

These figures compare with $957,467,354 in assets, 130,867 shareholders and 87,458,325 shares outstanding on Dec. 31, 1955. The increase in shareholders represents a gain of nearly 22% during the year.

The net asset value per share on Dec. 31, 1956 was $11.63. Together with a capital gain distribution of 14 cents per share declared Dec. 31, 1956, payable Feb. 18, 1957, the year-end net asset value amounted to $11.77, compared with $10.95 a year ago. All per share figures reflect the three-for-one stock split last June.

Trustees noted that the average holding of the trust's shares at year end was about $6,900 although many shareholders have invested substantially larger amounts. Fiduciary and institutional accounts, for example, now own almost $150 million of the trust's shares. The number of these accounts has increased in the past year from 10,500 to 12,400.

The trust at year end held common stock investments in 134 companies in more than 20 industries. The five largest industry holdings in order of size were in petroleum, steels, utilities, metals and mining, and chemicals.

On Dec. 31, 1956 the portfolio contained nine common stocks not held a year previously, including International Harvester, Ford Motor Company, Rohm & Haas, Merck & Co., Inc., Lone Star Gas Co., Honolulu Oil Corp., Norfolk & Western Railroad Co., Oklahoma Gas & Electric Co., and Texas Utilities Co. Eliminated in the same period were eight other common stock holdings.

Principal changes in the trust's portfolio for the fourth quarter of 1956 were:

PURCHASES	Shares
Aluminium Ltd.	5,000
Aluminum Co. of America	5,000
American Smelt. & Refining Co.	5,000
Caterpillar Tractor Co.	21,200
Continental Oil Co.	7,600
Ford Motor Co.	30,000
Honolulu Oil Corp.	21,800
International Harvester Co.	30,000
Johns-Manville Corp.	*20,000
Lone Star Gas Co.	†60,000
Merck & Co., Inc.	12,000
Middle South Utilities, Inc.	15,000
New Jersey Zinc Co.	8,900
Norfolk & Western Rwy. Co.	6,800
Phillips Petroleum Co.	8,000
Shell Oil Company	8,000
Sherwin-Williams Co.	5,800
Standard Oil Co. (N. J.)	10,502
Texas Company	8,000
Texas Pacific Coal & Oil Co.	23,400
U. S. Gypsum Co.	10,000
SALES	
Consol. Edison Co. of N. Y., Inc.	20,000
General Motors Corp.	15,000
Industrial Rayon Corp.	40,000
May Department Stores Co.	‡30,000
Monsanto Chemical Co.	5,100
St. Joseph Lead Co.	6,000
United Fruit Co.	13,900

*Purchased partly through Rights.
†New Additions.
‡Eliminations.

Eaton & Howard Funds Report

Eaton & Howard Balanced Fund 25th annual report shows net assets of $174,527,840 up from $165,318,804 at the beginning of the year. Shares outstanding total 8,016,699 compared with 7,711,219 and number of shareholders 26,107 compared with 24,629. Asset value per share on Dec. 31, 1956, was $21.77 compared with $21.44 a year earlier—a 3½% increase after adjustment for 42c per share distribution of realized profits made December 1956.

Dividends from investment income totaled 66c per share in 1956—two cents more than was paid in 1955.

At the year end, 8.0% of fund was in cash, U. S. Gov'ts, and short-term notes, 13.2% was invested in corporate bonds, 10.0% in preferred stocks, 68.8% in common stocks. Largest common stock holdings were in oil (18.2%), power & light (9.5%), banking (4.7%), insurance (4.4%) and natural gas (4.08%) industries.

Eaton & Howard Stock Fund 26th annual report shows net assets of $74,725,188 up from $55,956,995 at the beginning of year. Shares outstanding totaled 3,594,464 compared with 2,861,613 and number of shareholders 15,675 compared with 10,787. Asset value per share on Dec. 31, 1956, was $20.79 compared with $19.55 a year earlier, an 8% increase after adjustment for the 35c per share distribution of realized profits made December 1956.

Dividends from investment income in 1956 totaled 53c a share—5 cents more than was paid in 1955. At the year end, 86% of fund was invested in 122 common stocks in 30 different industries. Largest common stock holdings were in oil (16.1%), insurance (8.1%), power & light (7.4%), chemical (5.7%), and natural gas (5.6%) industries.

Broad Street's Assets Total $94 Million

Net assets of Broad Street Investing Corporation rose to $94,518,508 at the end of 1956, a record reported high for the 27-year-old diversified mutual fund, it was announced today by Francis F. Randolph, Chairman of the Board and President. The figure was 16% greater than the $81,646,781 at the close of 1955.

Dividends from investment income, which Broad Street Investing has paid for 108 consecutive quarters, totaled a record 86 cents a share in 1956. This was 5% more than the 82 cents paid in 1955 and, Mr. Randolph stated, was a gain of 8% in income for shareholders who maintained their investment by taking shares in payment of the 1955 distribution from realized gain on investments.

Per share asset value was $21.85 at year end, the chairman reported, an increase of 5% over the $21.71 at the end of 1955 if the $1.03 distributed from taxable gain in December 1956 is taken into account. Mr. Randolph pointed out that asset value per share has grown 197% from $9.51 at Jan. 1, 1930, when Broad Street Investing began operations, after adding back the $6.38 per share distributed during the period from realized gain on investments.

At year end, 20,756 investors owned 4,324,502 Broad Street Investing shares, compared with 17,609 holders of 3,760,240 shares a year earlier, the chairman reported, and the average holding was about 208 shares with a value of $4,545.

Mr. Randolph said a new simplified Accumulation Plan was made available in April of last year and that in the final nine months of the year the number of plans increased by 49%.

The chairman stated that investment emphasis continued to be shifted in 1956 in recognition of the increased risks inherent in further expansion of business and the advanced level of stock prices, and common stock holdings of Broad Street Investing were down to 80.02% of net assets at the end of the year, compared with 85.03%, 12 months earlier.

"There was also the consideration," Mr. Randoplh said, "that senior bonds and preferred stocks could be bought to produce increasingly attractive current in-

Continued on page 66

Railroad Securities

By GERALD D. McKEEVER

Missouri-Kansas-Texas

To say that the market has taken the news of the top-level change in the management of the "Katy" with something less than enthusiasm could be the most notable understatement of this young year. This road's bonds as well as its preferred and common stocks are selling lower now than prior to the announcement earlier this month that Mr. William N. Deramus III had resigned the presidency of the Chicago Great Western after some eight years of fine achievement to take the presidency of the "Katy." One reason for the "doubting Thomas" attitude of the market for "Katy" securities in regard to this shift, in spite of the fact that it cannot fail to have constructive implications at least, could be the wide publicity that the new development has given to the troubles of the "Katy." This would assume, however, that these troubles have not already been well known.

Under different circumstances, nevertheless, and this would include a more avid speculative climate, the induction of Mr. Deramus might have been accompanied by broader acclaim. When Mr. Deramus assumed the presidency of the Chicago Great Western in 1949, this road was carrying arrears on its preferred stock amounting to over $2 million. Not only were these back dividend accumulations paid off by 1953 and dividends initiated on the road's common in the following year, but at the same time the physical condition of the road has been placed in first class condition. This has made it possible for the "Great Western" to compete successfully with the larger roads in the area and to induce industry to locate on its line, thus building up much-needed originated and controlled traffic.

A record such as this could well signal the potentialities for a turn for the better in the outlook for the "Katy" if operating problems were all that mattered and if there were no "built in" territorial difficulties due to the vagaries of nature and the dependence of the "Katy" on grain crop conditions. The special perplexity that the new president also has to face in this case is in the mountainous arrears on "Katy" preferred — about $106 million — which makes the job done in the case of the Great Western preferred look almost like child's play. There is also the matter of some $17 million bonded debt due in 1962. Three attempts have been made to clear these arrears away by recapitalization. The latest plan is still pending, but since it would call for a 50% increase in fixed charges and a 75% increase in fixed interest mortgage debt, it has been bitterly opposed by institutional holders of the road's senior bonds which would be badly diluted thereby, and it has also received an unequivocally unfavorable report of the ICC examiner on the case. Even so, the pending plan would settle only $50 per share of the preferred stock arrears, or less than one-third of the total.

If any plan is tailored to present-day visible earnings support, as it must be, there will have to be either a sharp paring down of the claims-settlement ratio or else a totally unacceptable dilution of values or, as in the case of the present plan, a combination of both. The only alternative would be an almost miraculous upbuilding of earning power of the road, and, if this can be accomplished, then to see what kind of a recap plan can be worked out. What has been tried thus far has amounted to "putting the cart before the horse."

The job of the new President of the "Katy" is thus a challenge and, if approached by the basic route, can take a long time at best. The disconcerting decline in the traffic and revenues of the "Katy" has been due to drought conditions, the result of which is that, according to report, 51 of the 54 Texas counties served by the "Katy" are on the Federal drought disaster list. Such "act of God" circumstances defy the genius of any man except insofar as uncontrollable hazards can be minimized by changing the economy of the territory and by strengthening the road internally so as to place it in better position to face adversity.

Along the latter lines may be the pruning out of a fairly large proportion of the road's mileage that is unprofitable, or marginal at best, and the acceleration of the program of location of diversified industry on the lines of the road, and in which, it should be remarked, the "Katy" has been far from laggard. Finally, there may have to be such improvement and addition to the road's physical plant as to attract and accommodate additional business, and the problem here, of course, is that of the "hen or the egg." The road will need additional business and revenues to finance additions and betterments since its borrowing power is obviously limited. To bridge this gap is a problem of the new management.

This does not mean that The "Katy" has not done a great deal to modernize and to keep abreast of rising costs. Since 1948 for instance the road's capital expenditures have totalled about $80 million and operations have been completely dieselized since 1953. It is just that so much more remains to be done as is suggested by the steady rise in the road's Transportation Ratio in the past four years despite the benefits of dieselization. While the drop in revenues in the 1954-55 period alone would tend in itself to cause the Transportation Ratio to rise, control should be more flexible, making it possible to bring expenses down in line with a reduction in traffic such as has been caused by the drought. But worse yet, the Transportation Ratio took another jump this year in spite of a small gain in revenues.

As a result of dieselization, gross ton-miles moved per freight train-hour by the "Katy" increased by about 60% in the 1946-55 period. This is a creditable showing by itself, but it can be misleading as far as overall results are concerned. This factor may remain about the same or improve whether the train movement is 10 or 100 trains per day, other things being equal. What the "Katy" needs is more trains or, statistically, greater traffic density. This will require intensive selling on one hand and, on the other, the fitting of the road's plant to do a bigger job. The record of the new President indicates unusual capabilities in both directions.

This is obviously a long-term stint for any management and it is thus not hard to see the point of purchasers of the 500,000 shares of "Katy" common in the July, 1955 transaction now giving options to some part of this holding, particularly since it is reported that the options are going to interests close to the top managements of the Chicago Great Western and of the Kansas City Southern. The President of the latter is Mr. William N. Deramus II, father of the new President of the "Katy," and although statements discourage views that this holds any merger implications, which would be difficult to imagine under present circumstances, it nevertheless could conceivably lead to traffic arrangements that would be more beneficial to the "Katy."

In the meantime, earnings on "Katy" preferred are placed at about $3 per share for 1956 as against $4.66 for 1955, and this stock, paying at the rate of only $2 per share is selling at least 30 points over any sound investment level at the current market of about 61-62. This premium is being paid for the unknown factor of what can be salvaged out of the dividend arrears, and it has been a lot greater at times when new moves have been made to do something about it. The speculative potential in this stock thus cannot be overlooked, nor, for that matter can that of the common. The difference is that the latter is almost a complete speculation.

Continued from page 65

Mutual Funds

come as the money market tightened and forced interest and dividend rates higher. New funds received from purchases of Broad Street Investing shares by investors continued to be used to build up these holdings; portfolio common stocks were not sold to provide funds for this purpose."

Commenting that "the domestic economy presents a picture of great activity at a level seemingly near effective current capacity," Mr. Randolph noted that "competition for additional business is extremely keen."

"The prudent investor in 1957," he said, "will keep alert to the possibilities of pressure on corporate earnings as a result of increasing competition and rising costs, and will continue to watch for warnings on the economic barometer of any readjustment in business making up on the horizon."

Oil stocks represented the largest investment in any industry in Broad Street Investing's common stock portfolio, amounting to 17.34% of investment assets at the end of 1956. Public utility stocks were second, at 14.32%. Investments were increased during the year in the consumers' goods, drug, natural gas, oil, public utility and retail trade fields. Holdings in apparel and rayon stocks were eliminated and reductions were made in automobile, building, chemical, food, railroads, steel, and tire and rubber stocks.

New common stock investment positions were established in the fourth quarter with purchase of 9,000 shares of Chesapeake & Ohio Railway Company, 5,000 shares of Mississippi River Fuel Corporation, 7,000 shares of Pioneer Natural Gas Company, and 10,200 shares of Warner-Lambert Pharmaceutical Company. Significant increases were: 25,000 shares of Deere & Company, 6,140 shares of I-T-E Circuit Breaker Company, 1,000 shares of Norfolk & Western Railway Company, and 7,200 shares of Chas. Pfizer & Company.

During the same period, holdings were eliminated with the sale of shares of American Viscose Corporation; Chicago, Rock Island & Pacific; Cluett, Peabody & Company, Inc., International Harvester Company, Southern Pacific Company, and United Fruit Company. The investment in Amerada Petroleum Corporation was reduced through sale of 3,000 shares.

Axe - Houghton's three mutual funds reported increase of 31% in sales and 36% in the number of shareholders during 1956. The total dollar volume of Axe-Houghton Fund A, Axe-Houghton Fund B and Axe-Houghton Stock Fund sales during the year was $27,753,148 compared with $21,172,129 in 1955. Shareholders numbered 59,588 at the end of 1956 as against 43,892 at the end of 1955.

Including the 10,444 holders of Axe Science & Electronics Corporation, total shareholders of all four B. W. Axe & Co.-managed funds on Dec. 31, 1956, was 70,032. Axe Science became an open-end mutual fund late last July.

Utility Unit To Become Abacus Fund

The last obstacle to the conversion of International Hydro-Electric System into an investment company, to be known as Abacus Fund, was removed when the U. S. Supreme Court refused to grant writs of certiorari in two cases.

The petitioners sought a Supreme Court review of an Order of the U. S. District Court for the District of Massachusetts which had granted an application by the Securities & Exchange Commission for approval and enforcement of a plan for the reorganization of International Hydro - Electric System, which Order had been affirmed by the U. S. Court of Appeals for the First Circuit.

In 1942 the SEC had ordered International Hydro-Electric dissolved as it was then the top holding company of a pyramid controlling some 50-odd utility companies in the United States and Canada. In the intervening 15 years holdings were reduced to under 5% of New England Electric System; approximately 19% of Gatineau Power Company, a Canadian utility, and cash equivalent of approximately $13,000,000. Since December 1953, the capital structure of the company has consisted solely of 856,718 Class A shares. In 1955 the Securities & Exchange Commission found these changes warranted modification of the 1942 Order of Dissolution.

Under the approved plan, sponsored by the Interim Board of Directors, the company will continue as a Massachusetts business trust, the Class A stock of which will become common on a share-for-share basis. As Abacus Fund it will register as an investment company under the Investment Company Act of 1940 and the SEC will grant it exemption as a Public Utility Holding Company.

Richard Grimm Joins Keystone Custodian

BOSTON, Mass. — Richard W. Grimm has been named assistant to the manager of the Bond Department of Keystone Custodian Funds.


Richard W. Grimm

For the last three years Mr. Grimm has been in charge of the Bond Department in the Boston office of the New York Hanseatic Corp. Previously he was with Brown Brothers Harriman & Co. and duPont, Homsey & Co.

Barnes to Teach At New School

The New School announces a series of ten sessions on "Mutual Funds and Investment Companies: a Workshop for Investors and Investment Advisors" opening Monday, Feb. 11, at 5.30 p.m. The workshop will be conducted by Leo Barnes, chief economist, Prentice-Hall, Inc.


Dr. Leo Barnes

Among the special topics to be discussed are types of mutual funds and investment companies; which are suitable for various investment targets; portfolio management through investment companies; taxation and tax-saving opportunities; spotlighting the best buys; current developments in mutual funds and investment companies.

Dr. Barnes, who is Editor-in-Chief of "Report on Business" published by Prentice-Hall, Inc., is the author of the recent book "Your Buying Guide to Mutual Funds and Investment Companies."

Now With Walston

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Jay Stanley has become affiliated with Walston & Co., Inc., 231 South La Salle Street. He formerly conducted his own investment business in Hammond, Ind.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Joy Manufacturing Company—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

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

Merritt-Chapman & Scott—Analysis—Osborne & Thurlow, 39 Broadway, New York 6, N. Y.

Missouri Research Laboratories—Memorandum—Richard Bruce & Co., 26 Broadway, New York 4, N. Y.

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

Ruberoid Co.—Bulletin—Winslow, Cohu & Stetson, 26 Broadway, New York 6, N. Y.

Texas Company — Detailed study — McDonnell & Co., 120 Broadway, New York 5, N. Y.

Timken Roller Bearing—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Worthington Corp.—Discussion in "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are discussions of the Automobile Business, Specialty Steels, Residential Building, Banking Business, and Arkansas-Louisiana Gas.

Business Man's Bookshelf

Automation: Its Impact on Economic Growth and Stability—Almarin Phillips — American Enterprise Association, 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper), $1.00.

Characteristics of New Housing in First Quarter of 1956—Statistical study — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

Columbia University Press Spring Catalog—1957—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper).

Commonsense Economics—L. Albert Hahn — Abelard-Schuman, Ltd., 404 Fourth Avenue, New York 6, N. Y. (cloth), $4.50.

Foreign Agricultural Trade Statistical Handbook (Bulletin 179) —Comprehensive handbook on foreign agricultural trade — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. $1.

Growth of Life Insurance in the State of Illinois — 1940-1955 — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper)

Growth of Life Insurance in the State of North Carolina 1940-1955 — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper)

Housing and Home Finance Agency —Ninth annual report — Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. $1.50.

Improving Human Relations — Steps to Develop Better Supervisor-Employee Relations in the Plant—National Association of Manufacturers, 2 East 48th St., New York 17, N. Y. (paper)—50c.

Is Europe About to Federate? — Report in Business News Survey of Swiss Bank Corporation, 15 Nassau Street, New York 5, N.Y.

Manufacturing Methods and Processes—Arthur C. Ansley—Chilton Company, Chestnut and 56th Streets, Philadelphia 39, Pa. (cloth)—$12.50.

Manufacturing Plants, Bucks County, Pa., 1956—Directory—Bucks County Development Committee, 50 North Main St., Doylestown, Pa. (paper). $1.

National Business Show Catalog—With data on office equipment and systems exhibited — National Business Show, 33 West 42nd Street, New York 36, N. Y. On request.

New York State Department of Commerce 1956 Annual Report —New York State Department of Commerce, 112 State Street, Albany, N. Y. (paper).

Office Fringe Benefits Survey No. 19 — Study of Clerical Work Measurement — National Office Management Association, Willow Grove, Pa. $5.

Older Worker—Series of publications by U. S. Department of Labor:

Job Performance and Age: A Study in Measurement, Bulletin 1203—45 cents.

Older Workers Under Collective Bargaining: Part I — Hiring, Retention, Job Termination—Bulletin 1199-1 — 25 cents; Part II — Health, Insurance and Pension Plans — Bulletin 1199-2—25 cents.

Pension Costs in Relation to the Hiring of Older Workers — Bulletin 150. 25 cents.

Older Worker Adjustment to Labor Market Practices — $1.25.

Counseling and Placement Services for Older Wokers—Bulletin E-152—50 cents.

How to Conduct an Earning-Opportunities Forum in Your Community — Leaflet 25 — 15 cents.

U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

Opinions of the Committees on Professional Ethics of the Association of the Bar of the City of New York and the New York County Lawyers' Association—Edited by Arthur A. Charpentier — Columbia University Press, New York 27, N. Y.—$10.

Problems of Capital Formation: Concepts, Measurement, and Controlling Factors — "Studies in Income and Wealth." Vol. 19 —Princeton University Press, Princeton, N. J. (cloth). $7.50.

Problems in Multi Employer Negotiated Pension Plans—Meyer M. Goldstein — Pension Planning Company, 625 Madison Avenue, New York 22, N. Y. (paper).

Proxy Contests for Corporate Control—Edward Ross Aranoff and Herbert A. Einhorn — Columbia University Press, 2960 Broadway, New York 27, N. Y. (cloth), $15.00.

Research for Industry—News bulletin—Stanford Research Institute, Menlo Park, Calif. (paper).

Securities & Exchange Commission 22nd Annual Report — Superintendent of Documents, United States Government Printing Office, Washington 25, D. C. (paper). 70 cents.

Silver Market in 1956—41st annual review—Handy & Harman, 82 Fulton Street, New York 38, N. Y.

Southern Africa — Year Book & Guide—Edited by A. Gordon-Brown—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y. (cloth) $3.

Superintendent of Banks, State of New York—106th Annual Report for Year Ended Dec. 31, 1956—New York State Banking Department, 270 Broadway, New York 7, N. Y. (paper).

Twelve Business Problems Analyzed—1957 (new edition)—included with a subscription to Harvard Business Review—one year, $8—Harvard Business Review, Soldiers Field Station, Boston 63, Mass.

Urban Renewal, What It is — Folder—Housing and Home Finance Agency, Washington 25, D. C.

What Every Salesman Should Know About Mutual Investment Funds — National Securities & Research Corporation, 120 Broadway, New York 5, N. Y. (leather bound)—$10.

Why Wages Rise—F. A. Harper—Foundation for Economic Education, Irvington-on-Hudson, N. Y. (cloth) $2.50; (paper) $1.50.

Joins Henry Montor

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harold Minkus is now with Henry Montor Associates, Inc., 134 South La Salle St.

With Shearson, Hammill

(Special to The Financial Chronicle)

CHICAGO, Ill. — Samuel B. Perlman has become connected with Shearson, Hammill & Co., 208 South La Salle Street.

DIVIDEND NOTICE

QUALITY

The American Tobacco Company

206TH COMMON DIVIDEND
and an EXTRA DIVIDEND

A regular dividend of One Dollar ($1.00) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of The American Tobacco Company, payable in cash on March 1, 1957, to stockholders of record at the close of business February 8, 1957. Checks will be mailed.

January 29, 1957 — Harry L. Hilyard, Treasurer

DIVIDEND NOTICES

AMERICAN METER COMPANY
Incorporated
13,500 Philmont Ave.
Phila. 16, Pa., Jan. 24, 1957

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable March 15, 1957, to stockholders of record at the close of business February 28, 1957.

W. B. ASHBY, *Secretary.*

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of thirty-six certs ($.36) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 11, 1957, to the holders of record at the close of business February 11, 1957.

W. J. ROSE, Secretary

January 30, 1957.

Allied Chemical

Allied Chemical & Dye Corporation

DIVIDEND

Quarterly dividend No. 144 of $.75 per share has been declared on the Common Stock of the Company, payable March 8, 1957, to stockholders of record at the close of business February 15, 1957.

Richard F. Hansen, *Secretary*

January 29, 1957

Continuous Cash Dividends Have Been Paid Since Organization in 1920

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on March 13, 1957 to stockholders of record at the close of business on February 8, 1957.

D. H ALEXANDER, Secretary

January 24, 1957.

NATIONAL SHIRT SHOPS
OF DELAWARE, INC.
DIVIDEND NO. 62

The Board of Directors declared a regular quarterly dividend of 20c per share on the common stock payable Feb. 28, 1957 to stockholders of record Feb. 13, 1957. Transfer books will not be closed.

SYLVAN COLE
Chairman of the Board

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1957, to stockholders of record February 15, 1957.

EDWARD L. SHUTTS, *Chairman*

January 24, 1957

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on March 2, 1957, to stockholders of record on February 11, 1957. The transfer books will not close.

PAUL C. JAMESON, *Treasurer*

January 24, 1957.

THE TEXAS COMPANY

—218th—

Consecutive Dividend

A regular quarterly dividend of fifty cents (50¢) per share on the Capital Stock of the Company has been declared this day, payable on March 9, 1957, to stockholders of record at the close of business on February 1, 1957.

The stock transfer books will remain open.

S. T. CROSSLAND, *Vice President & Treasurer*

January 25, 1957

DIVIDEND NOTICES

TEXAS TOY DIVIDEND

The Board of Directors has declared a quarterly dividend of four cents ($.04) per share on common stock payable February 25, 1957 to public stockholders of record February 4, 1957.

TEXAS TOY COMPANY
1711 Preston Ave., Houston, Texas

TITLE GUARANTEE and Trust Company

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 30 cents per share designated as the first regular quarter-annual dividend for 1957, payable February 28, 1957 to stockholders of record on February 7, 1957.

WILLIAM H. DEATLY, *President*

Schering CORPORATION

DIVIDEND No. 13

The Board of Directors has declared a regular quarterly dividend of Twenty-five cents ($0.25) a share and an extra dividend of Twenty-five cents ($0.25) a share on common stock payable February 15, 1957, to stockholders of record February 4, 1957.

M. J. FOX, Jr., *Vice President and Treasurer*

Bloomfield, N. J. January 22, 1957.

UNION CARBIDE *AND CARBON CORPORATION*

UCC

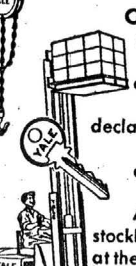
A cash dividend of Ninety cents (90¢) per share on the outstanding capital stock of this Corporation has been declared, payable March 2, 1957 to stockholders of record at the close of business February 1, 1957.

BIRNY MASON, JR.
Secretary

YALE & TOWNE

Declares 276th Dividend

37½¢ a Share



On Jan. 24, 1957, dividend No. 276 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on April 1, 1957, to stockholders of record at the close of business Mar. 14, 1957.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There are a couple of things which can be taken for granted. One is that the minimum wage will NOT be extended to the corner independent grocery, hardware, or drug store.

Such gentry are "small business men" who therefore, being more numerous than big corporations, automatically acquire a certain sanctity in the halls of Congress.

The only issue is the extent of the increased coverage. The Labor Department believes, it is reported, that the compulsory $1 per hour minimum wage should be extended to the merchant's clerks in a store where the store "imports" $1 million or more of merchandise from another state.

Labor with the Big L objects violently, saying this would only affect 2.3% of retail clerks. On the other hand, not even Big L Labor wants to take on the politically powerful independent corner store. Labor wants to extend the minimum wage to establishments with gross sales of $500,000 or more per annum or those having five retail outlets.

The compromise will be somewhere between.

Another thing that can be taken for granted is that the Senate Commerce Committee will not put any Canadian newsprint officials in jail for "conspiring" to raise the price of newsprint $4 per ton. Yelping at newsprint price rises is a standard article of the U. S. political trade. The Commerce Committee has no backing from either party leadership or the White House. If the committee can collar some U. S. shareholders and/or officers of Canadian companies, it will try to make them go stand in a corner.

The end result: Virtually nothing but noise.

Study Monetary Control

In the text of the Administration-written bill, introduced by Senator Homer Capehart (R., Ind.) to call for a monetary and financial institutions commission, there is language broad enough to allow the proposed group to go into such questions as possible control of the Federal Reserve System by the Administration. President Eisenhower, at the suggestion of commercial bankers, proposed that such a commission be set up.

The language also is broad enough to call for a study of the competitive relationships between commercial banks and other institutions given more favorable lending powers and tax treatment.

Finally, the bill would permit the commission to study the relationship of the whole congeries of government-subsidized credit activities to the broad picture of monetary management.

How far in these directions such a commission would go, if appointed, remains to be ascertained if a commission is authorized and appointed. What attention Congress might pay to such a Commission's recommendations, when and if forthcoming, is still another story.

In the House, Speaker Sam Rayburn is apparently backing Rep. Wright Patman (D., Tex.) in his desire to head a roving monetary sub-committee of the House Banking Committee. It will be difficult for the Speaker to persuade the House to buy this, but if it is "sold" it would go a long way toward killing off a proposed independent monetary and financial institutions commission study. Patman, meanwhile, has been allowed to be Chairman of the Joint Economic Committee, where he gives preliminary indication of doing more than his customary job of annoying Chairman Bill Martin of the FR Board.

There is every preliminary indication that the SEC will be pressing for legislation this year before Congress.

Highest on the SEC list is the unlisted securities bill which, perhaps oversimply, would require the same disclosures of information for unlisted companies as for those listed on organized exchanges, and applicable to corporations of $2 million or more of assets and with 750 shareholders.

Chairman J. William Fulbright (D., Ark.) introduced that bill, which was the subject of hearings. Eventually SEC gave a report favorable to this bill, with suggested amendments.

The Banking Committee asked for the SEC views on two phases of the bill on which the SEC did not comment on its last year's report, or on certain insider transactions, and on whether life insurance companies should be included. When the SEC reports on these two facets of the legislation, presumably the project will again become active.

Thus far, Mr. Fulbright had not re-introduced the bill. It was shelved last year because in fact it was too controversial for an election year. Senator Fulbright is for the moment pre-occupied with foreign affairs, which is closer to his heart than in SEC legislation.

Former Rep. Arthur Klein of New York, who retired from Congress to be a judge, was the sponsor of this project on the House Interstate Commerce Committee, which has jurisdiction on the House side. It is expected that a committee sponsor to replace Mr. Klein in due course will be found by the SEC.

It is understood that the House Committee has the same attitude it has held for some time on this subject. This is that it will take it up only after it passes the Senate.

Another project of interest to SEC is said to consist of various amendments to "strengthen enforcement" of the agency's acts. These are said now to be under discussion between the committee and the SEC, and have not yet been drafted and disclosed.

Furthermore, the agency also is said to have a number of "technical" amendments it wants considered.

Natural Gas Bill

President Eisenhower spoke kind words on behalf of the bill he vetoed last year to reaffirm the long intention of Congress that natural gas alone of all commodities shall NOT be subject to price regulation.

BUSINESS BUZZ

"He wasn't satisfied with the prospectus on Snitzel Scotch—insisted on giving the product a thorough test himself!"

However, having faced first a Truman then an Eisenhower veto of this "bill to raise the price of your heating bill," as the demagogues called it, the Congressional Democratic leadership is going to be chary about working for this project again and getting the limb sawed off once more, unless Mr. Eisenhower's backing goes much farther than kind words.

Clarify Budget, Inflation Policies

Despite the seeming contradictions from one paragraph to another, from one message to the next in the President's messages from Secretary Humphrey to President Eisenhower, there is in fact NO contradiction in Administration policy on the budget, taxes, and control of inflation.

Since the budget was released and Mr. Humphrey sounded off at the budget press conference and issued his "cut expenditures" statement, Mr. Humphrey has appeared before the Appropriations Committee and Mr. Eisenhower has preached at a press conference.

From this surfeit of words it is possible to show that contradictions only seem to appear, and also to summarize the Eisenhower Administration tax, budget, spending, and inflationary philosophies as follows:

Everybody, said the President, must do his part to curb inflation. "Government must exercise strict discipline over its expenditures," he stated.

Expense Reduction

That being the case, Mr. Eisenhower is reducing expenditures from $64.6 billion in fiscal 1955 to around $76 or $77 billion in fiscal 1958, taking into account the known bookkeeping dodges used by the President and his customary margin of error in estimating expenses. This is a "reduction" in keeping with strict discipline over Federal spending, by upwards of $12 billion or so.

Mr. Eisenhower does NOT disagree with Mr. Humphrey that the upward rise in Federal spending "must be stopped." As a matter of fact, the President disclosed himself, he actually edited the Treasury Secretary's statement. The two were not talking about the "immediate present," Mr. Eisenhower said. They were talking about some other time.

That they were talking about the golden future was confirmed when Mr. Humphrey appeared before the Appropriations Committee and declined to offer one specific proposal to cut spending.

$60-Billion Level

One correspondent noted that a few years ago Mr. Eisenhower professed to be working to reduce Federal spending to an annual level of $60 billion, whereas he estimated $72 billion for fiscal 1958.

"Does this represent any basic change in your approach to government?" the President was asked.

"No, it doesn't," the President replied. Thereupon he explained that many costs were rising, especially military.

But isn't it a fact other than military costs are rising, another newsman asked. Mr. Eisenhower responded in part:

"And I will say this: As long as the American people demand and, in my opinion deserve the kind of services that this budget provides, we have got to spend that kind of money."

Newsmen like this correspondent have been hard put to find people, other than direct beneficiaries of government spending, who have been "demanding" these services. Respecting the aid to education bill the House, which also tried to respond to "people's" demands, killed the bill. The seeming contradiction is simple. Mr. Eisenhower speaks for "the people."

Tax Philosophy

Government, said Mr. Eisenhower in his Economic Report message, "must take in taxes no more than is necessary of the incomes of individuals and business."

Therefore the expiring heavier rates of corporation and excise taxes must be continued, the President insisted. Any tax adjustment must not be approved which will cost more than $20 million and in no case as much as $50 million, Secretary Humphrey said.

New Look

President Eisenhower affirmed his goal of "new" or "modern" Republicanism." This envisages a new concept of always moving forward. As to "modern Republicanism," the President said, "Certainly I am going to stand for it with my full might."

Under the "old Republicanism," and before the country "moved forward" with Roosevelt, Truman, and Eisenhower, a creditor judged his debtor by how his performance squared with his promises. American citizens as creditors of the government, should judge the credit of the United States by the intentions expressed by the President and Secretary of the Treasury, not by the performance.

[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.]

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

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